2019 ANNUAL REPORT

KONEKT

KONEKT LIMITED AND CONTROLLED ENTITIES

A.C.N. 009 155 971

ANNUAL REPORT
FOR THE YEAR ENDED
30 JUNE 2019

konekt employment · konekt workcare · konekt training · konekt ability · communicorp

CORPORATE DIRECTORY

Directors	**Douglas Flynn** (Chairman) **Philip Small** (Non-Executive Director) **Anthony Crawford** (Non-Executive Director) **Damian Banks** (Group Chief Executive Officer and Managing Director)
Company Secretary	**Reena Minhas**
Registered Office and Principal Place of Business	Level 3 338 Pitt St SYDNEY, NSW 2000 **T**: +61 2 9307 4000 **F**: +61 2 9307 4044
Auditors	**BDO East Coast Partnership** Level 11 1 Margaret Street SYDNEY NSW 2000 **T:** +61 2 9251 4100 **F:** +61 2 9240 9821
Share Registry	**Computershare Investor Services Pty Ltd** Yarra Falls 452 Johnston Street ABBOTSFORD VIC 3067 **T:** +61 3 9415 5000 **F:** +61 3 9473 2500

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CHAIRMAN & MANAGING DIRECTOR'S REPORT

The financial year ended 30 June 2019 (FY19) was characterised by a number of positive achievements in Konekt Employment and continued softness in Konekt Workcare's Injury Management markets including the expiry of its MHS/ADF contract at year end. We continued our strategic focus on building a leading Australian integrated provider of outsourced solutions for workplace health, well-being and employment services.

Group revenues grew by 9% to $97.0m, including $54.5m from the first full year contribution of Konekt Employment (9 months contribution in FY18). On an underlying basis, adding back $0.2m of MHS contract exit transition costs and excluding $0.6m one-off write-back of make-good provisions, EBITDA increased by 8% to $9.8m ($9.1m in FY18). EBITDA margin for FY19 was 10.1% (10.2% in FY18).

Key FY19 features included:

- Underlying Revenue $97.0m (FY18: $88.9m)
- Reported FY19 EBITDA $10.3m (FY18 Reported: $6.2m, FY18 Restated: $7.4m)
- Underlying EBITDA $9.8m (FY18: $9.1m)
- Occupancy synergies program achieved annualised savings of $3.0m
- Konekt Employment
    - Awarded 5-year Disability Employment Services (DES) contract to 30 June 2023
    - jobactive contract tenure extended by two years to 30 June 2022
    - Improved quality and productivity outcomes
- Konekt Workcare
    - Continued softness in workers compensation RTW Injury Management markets and referral volumes
    - MHS contract expired at year end (FY19 revenue: $9.7m)
- FY19 dividend 1.0 cps, fully franked payable in cash (FY18: 1.0 cps, fully franked)

Konekt has over 700 staff, including more than 200 allied health professionals, operating from a national footprint of 107 offices and 30 outreach sites.

Konekt's scale, expanded and integrated service offerings, national office footprint and growing brand awareness is strengthening our competitive positioning – not just with our Government, Corporate and Insurer customers but also with the individuals we help on behalf of our customers.

During the past year, Konekt helped more than 50,000 individuals directly and on behalf of its customers.

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CHAIRMAN & MANAGING DIRECTOR'S REPORT (CONTINUED)

Summary FY19 Financial Results

The following table summarises consolidated financial results on both a statutory and underlying basis.

	Underlying			Statutory		
	2019	2018	Change	2019	2018 Restated	Change
Revenue	**97.0**	**88.9**	*9%*	**97.0**	**89.1**	*9%*
- Employment	54.5	41.3	*32%*	54.5	41.3	*32%*
- Workcare	42.5	47.6	*(11%)*	42.5	47.8	*(11%)*
EBITDA	**9.8**	**9.1**	*8%*	**10.3**	**7.4**	*39%*
EBITDA Margin	10.1%	*10.2%*	*10bps*	10.6%	*8.3%*	*230bps*
Interest	(1.1)	(1.0)	*(10%)*	(1.1)	(1.0)	*(10%)*
Depreciation	(1.9)	(2.3)	*17%*	(1.9)	(2.3)	*17 %*
Amortisation	(5.4)	(3.7)	*(46 %)*	(5.4)	(3.7)	*(46 %)*
Net profit before Tax	**1.3**	**2.1**	***(38%)***	**1.8**	**0.3**	***large***
Tax	(0.3)	0.3	*(large)*	(0.2)	0.3	*(large)*
Net Profit after Tax	**1.0**	**2.4**	***(58 %)***	**1.6**	**0.7**	***large***
Net Profit after Tax before Amortisation	6.4	**6.1**	***5%***	7.0	**4.3**	***63%***
EPS before amortisation (cents)	6.1	6.1	-	6.6	4.4	*50%*
DPS - fully franked (cents)	1.0	1.0	-	1.0	1.0	-

1) *Underlying FY19 adds back the MHS contract exit costs of $0.2m and deducts adjustment to make-good of $0.6m included in statutory results*
2) *Underlying FY18 adds back one-off acquisition and integration related costs of $3.1m and deducts $0.2m of deferred consideration income included in statutory results*

Balance Sheet

As at 30 June 2019, net debt was $13.3m ($11.3m pcp), including total bank debt of $12.7m ($15.6m pcp). During FY19 principal bank debt repayments of $4.0m were made. Gearing (net debt/shareholder funds) as at 30 June 2019 was 44% (37% pcp). Konekt's primary debt facility amortised with principal reductions of $1.0m each quarter during the year.

Post FY19 year end, the tenure of the bank debt facility was extended to 29 September 2022, with a reduction in principal repayments from $1.0m/quarter to $0.5m/quarter and new working capital facility of $1.0m.

Net debt increased by $2.0m in FY19 as cash holdings of $5.7m were utilised in investments, including $1.3m deferred consideration, $2.3m for the purchase of intangible assets and $1.2m for PP&E.

Net Debt/FY19 underlying EBITDA was 1.36 times. The company's leverage ratio (Total Debt/rolling 12-month EBITDA) and Debt Service ratio were well within Bank Debt Covenant Ratios.

Intangible assets decreased by $3.1m to $41.6m. The Mission Providence acquisition included recognition of fair value of identifiable intangible assets (jobactive contract) of $10.0m. The jobactive contract was originally being amortised over the period to 30 June 2020, however the contract was extended in April 2019 to 30 June 2022. The FY18 included a total amortisation charge of $3.7m. It is expected that amortisation charge relating to the jobactive contract will be for $1.4m for FY20.

Cash Flow

Operating cash flow for FY19 was $3.8m ($3.9m in pcp). Operating cashflows were impacted by trade and other payable reduction of $2.9m, accrued employee entitlements for exiting staff of $0.7m and timing of other working capital items.

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CHAIRMAN & MANAGING DIRECTOR'S REPORT (CONTINUED)

CAPITAL MANAGEMENT

Dividend

The Board was pleased to declare a fully franked final dividend for FY19 of 1.00 cents per share (1.00 cps fully franked pcp). The record date for the dividend is 19 September 2019 (ex-dividend 18 September 2019) and payable on 29 November 2019.

The company's approach to dividends is to balance shareholder dividends with franking credits and company's need to fund continued growth. The Board will continue to consider future dividends on a NPAT before amortisation (NPATA) basis.

2018 Restatement

In FY19 prior period adjustments were identified as follows:

- i The Company's detailed review of Konekt Employment's Trade and Other Payables balance during FY19 revealed that costs relating to liabilities included in the balance had already been expensed in the Statement of Profit or Loss and Other Comprehensive income and paid in 2017 and 2018. The company concluded that the acquired balance of Trade and Other Payables at 30 September 2017 and 30 June 2018 was therefore overstated and have adjusted for these including associated tax adjustments.

- ii The Company's review of Konekt Employment's income tax return for the 9 months ended 30 September 2017 (stub period) revealed that deferred revenue was incorrectly treated in the tax return as assessable. As a result, the acquired deferred tax asset was therefore overstated.

These findings have been adjusted in the 2019 Annual Report by restating each of the affected financial statement line items for the year ended 30 June 2018, with an increase in Profit after tax and Net Assets of $824,000 respectively.

OPERATIONS REVIEW

Konekt Employment

Konekt Employment performed well with a number of positive achievements over the year. FY19 revenues were $54.5m representing its first full year contribution (FY18 $41.3m - 9 months contribution).

Konekt Employment has three contracts with the Federal Government providing employment placement services for the unemployed into long term sustainable employment including jobactive, jobactive NEIS and Disability Employment Services. These contracts contributed 73%, 20% and 6% of Konekt Employment revenues respectively in FY19.

Lower national unemployment levels resulted in a 7% reduction in national jobactive caseloads (614,232 at 30 June 2019). As at 30 June 2019, Konekt Employment had an allocated jobactive caseload of 26,476 cases, representing a market share of 17% of allocations in the 8 regions where Konekt Employment has contracts.

Key achievements included:

jobactive contract extensions

In April 2019, Konekt's jobactive and NEIS contracts were extended to 30 June 2022. On 20 March 2019, The Minister for Jobs and Industrial Relation, The Hon Kelly O'Dwyer MP announced the Federal Government's vision for the future of its employment services system. This followed the advice of an Employment Services Expert Advisory Panel on how best to reshape and deliver employment services in Australia.

The Minister outlined a new employment services model underpinned by a number of transformative changes and reducing red tape for employers and providers including:

- i Digital self-servicing for job-ready job seekers

- ii Reinvesting digital service savings into more extensive support for disadvantaged job seekers iii More flexible job seeker activity requirements to reduce unsuitable job applications to business

iv A licensing framework making it easier for providers to enter and leave, drive more effective outcomes and reduce cost and disruption of procurement processes. It will promote a strong focus on performance and see those not meeting standards not having their licenses renewed

v More support for business through smart digital tools to better connect employers with labour they need when they need it

The Government intends testing key elements of the model in two regions (Adelaide South and Mid North Coast, NSW - neither being Konekt regions) for a 3-year period to 30 June 2022, before rolling out nationally. Whilst this is being tested, all current jobactive contracts which were due to expire on 30 June 2020 have been extended until 30 June 2022.

New Disability Employment Services Contract

Konekt Employment secured a Disability Employment Services (DES) contract with a 5 year term commencing 1 July 2018. DES is c$800m pa Federal Government program. Konekt Employment's contract encompasses 16 regions (total 71 locations) and is serviced from 44 Konekt offices - 43 existing office locations and one new office added. 26 new staff were employed to service DES. Performance has been ahead of expectations and we are positioned to further grow our DES business.

The contract extensions and new DES contract are very positive developments providing increased stability for staff, enabling retention to the company and industry and support for further investment.

Improved quality and productivity

- Quality and productivity initiatives were achieved as a result of management focus and improved training and systems. Average jobactive Star Ratings (unweighted) improved over FY19 with ratings since Q3 FY19 above the average of larger providers with a footprint larger than Konekt Employment's 64 sites. Star Ratings are an external Federal Government measure of outcomes achieved by service provider office with outcomes based on period of employment from placement – calculated on 12 and 26 week basis – and other quality measures.

- Increased revenue share of jobactive outcome based fees (65% FY19)

Konekt Workcare Group

Konekt's Workcare Group comprises Injury Prevention services and Injury Management RTW services. These businesses provide:

- Injury prevention services, Return-to-Work (RTW) injury management, rehabilitation and consultancy services, pre-employment services, Workplace Health and Safety – audits, inspections and consulting. Konekt's primary RTW case focus is in the range of 4 weeks to 2 years off work

- Training courses (face to face and online) through accredited health care professionals - registered training organisation

- Workplace psychology specialists operating Australia wide. Helping employers and employees develop positive workplace mental health, well-being and resilience capabilities

Workcare has a staff of 250+ people - predominately allied health professionals - servicing government agencies, insurers and corporates.

This division has seen a challenging market environment with FY19 revenues (including Injury Prevention and Injury Management operations) of $42.5m, $5.1m lower vs pcp. The fall was predominantly in Injury Management services due to continued softness and structural change in State based workers compensation RTW Injury Management markets and lower referral volumes from insurers coupled with lower MHS contract revenues.

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CHAIRMAN & MANAGING DIRECTOR'S REPORT (CONTINUED)

In November 2018, MHS announced that it had not been selected as the preferred tenderer for the renewal of the Health Services contract with the Australian Defence Force from 1 July 2019. As a consequence, Konekt Workcare's contract with MHS expired on 30 June 2019. In FY19 the MHS contract contributed revenues of $9.7m, representing 23% of FY19 Konekt Workcare revenues. Konekt supported an orderly and efficient transition of this service with transition exit costs incurred of $0.2m.

Injury Prevention services including Corporate, Pre-employment and Mental Health services were $1.0m lower in FY19 partly as result of disruption to financial services from the Hayne Royal Commission in 1H FY19. Revenues improved in second half post the Royal Commission.

Opportunities continued to present in the Mental Health segment, particularly in the government and corporate space. The NDIS has now emerged as an opportunity for Konekt to explore, utilising its assessments expertise, following some recent changes in direction in that scheme.

Occupancy Synergies Program

Following the acquisition of Mission Providence in September 2017, Konekt commenced a program of rationalising its then 128 locations across Australia (c.29,800 sqm under lease with 22,000 sqm representing Mission Providence offices on acquisition), whilst maintaining a presence in each of those areas and upgrading the quality of premises.

The occupancy synergies program was successfully executed during FY19, with Konekt now operating 107 full-time offices and 30 outreach sites nationwide. Leased floor space reduced by 30% to 21,000 sqm. Many sites are now delivering multiple services. The program has achieved annualised property savings of $3.0m p.a. with FY19 impact of $2.5m p.a. including sub-rental of excess space.

With a majority of its properties having lease renewal options between now and 30 June 2020, Konekt is currently assessing further addressable property savings of up to $1.2m p.a. with 50% expected to be realised in FY20.

People

Konekt continues to build a strong culture of performance, engagement and retention in differentiating ourselves as an employer and in making a difference across Australian workplaces. We positively impact peoples' lives, and our people actively participate in improving our Company. We believe in nurturing an exceptional work environment.

Our employee values focus on five core areas being leadership, career diversity, personal impact, collaboration, and providing best-in-class services.

Over FY19, staff numbers were reduced from c800 to c700, primarily through natural attrition and staff mobility to right-size for the loss of the MHS contract.

Focus and FY20 Outlook

We are focused on developing a diversified and agile business addressing:

- The resilient Australian economy maintaining strong headline employment numbers, with Konekt Employment delivering positive outcomes to the Federal Government, businesses and individuals find and maintaining employment;
- The emerging prominence of Consumer-directed choice in more of our product areas, resulting in our investment in a well understood and consumer friendly brand proposition;
- New opportunities are presenting in the Disability services market, with Konekt well-placed to leverage its existing investment in this area;
- Changing client behaviours in the Konekt Workcare Injury Management business, leading to reducing referral volumes, and resizing this business accordingly; and

CHAIRMAN & MANAGING DIRECTOR'S REPORT (CONTINUED)

- Mentally healthy and safe workplaces are becoming more important to Australia's well-being than ever before and is driving an increase in demand for Konekt service offerings in this area.

Our main challenge in FY20 is in replacing the MHS contract revenues with a continued focus on productivity and margin management.

Reflecting the expiry of the MHS/ADF contract at end of FY19, Konekt expects FY20 revenue in the range of $88.0 - $91.0m and EBITDA in the range of $8.1 - $9.0m.

Whilst the immediate loss of these revenues will impact FY20 revenue and EBITDA, Konekt is confident that FY21 will see EBITDA above FY19 levels.

Thank you

On behalf of the Board, we would like to sincerely thank all our staff, customers and shareholders for their commitment and continued support.

Our performance in FY19 reflects the dedication of our staff and the support of our customers. We are committed to delivering the best in industry services to our customers and continue to invest in enhancing our services, capabilities and people.

Douglas Flynn
Chairman

Damian Banks
Group Chief Executive Officer

22 August 2019, Sydney

DIRECTOR'S REPORT

The Directors present their report together with the consolidated financial statements of Konekt Limited ("the Company"), being the Company and its subsidiaries ("the consolidated entity"), for the year ended 30 June 2019 ("the financial year") and the auditors' report thereon.

Directors

The Directors of the Company during the financial year and up to the date of this report are:

MR DOUGLAS FLYNN – Chairman

Doug graduated in chemical engineering from the University of Newcastle, New South Wales. He received an MBA with distinction from Melbourne University in 1979.

Mr Flynn has held senior management roles and directorships in major media organisations in Australia and overseas. He was Managing Director of London based News International PLC. He was appointed a Non-Executive Director of Aegis Group plc Board in 1996. Aegis Group is a marketing services Company operating in some sixty countries. After being appointed Chief Executive of Aegis Group in 1999 Doug was instrumental in doubling the size of the Company and established a global market research business Synovate and internet services business Isobar. In April 2005 he joined Rentokil Initial plc, a global business services company, as Chief Executive and after an extensive restructuring of the Company's portfolio, balance sheet and organisation left the Company in 2008.

In mid-2008 Doug returned to Australia and in August that year he became a Director of West Australian Newspapers Holdings Limited ("WAN") and later Seven West Media Limited. Other past board positions in Australia include chairing iSentia Limited and APN Outdoor Limited.

He chairs data centre company NEXTDC Limited.

Mr Flynn is a member of the Audit, Risk and Compliance, and Nomination and Remuneration Committees.

Date of appointment: 19 July 2012

MR DAMIAN BANKS – Group Chief Executive Officer, Managing Director

Damian has had a wide variety of roles across Banking, Finance, Health and Consulting. Mr Banks has been CEO of Konekt since April 2012. During his tenure at Konekt, Mr Banks has led the significant growth within the company both through acquisitions and from organic expansion.

Prior to Konekt, Mr Banks had a 15 year career in Banking where he led several businesses, including Equities, Corporate and Institutional Banking and Transactional Banking.

Date of appointment: 12 September 2011

DIRECTOR'S REPORT (CONTINUED)

MR PHILIP SMALL BEc (Syd), MSc (Lond), FCPA, GAICD – Non-Executive Director

Mr Small is an experienced executive and has worked in Australia, New Zealand and Europe for companies in financial services technology and professional services.

He has held a number of senior management positions and was President of Computer Sciences Corporation's (CSC) Financial Services Group in Asia Pacific.

Prior to CSC, Philip worked for Continuum and was responsible for their operations in Asia Pacific. He worked for Paxus Corporation where he was an executive director, headed up their European division and led their expansion, through internal growth and acquisition, to become the leading provider of insurance software in Europe.

Philip is an experienced advisor and has worked with companies in the technology, professional services and outsourced business services.

Mr Small is a member of the Audit, Risk and Compliance Committee and Chair of the Nomination and Remuneration Committee.

Date of appointment: 19 November 2009

MR ANTHONY CRAWFORD BA, LLB (UNSW), FAICD – Non-Executive Director

Mr Crawford is the Chairman of Hospitals Benefits Fund of Australia Ltd, Energy and Water Ombudsman of NSW Ltd and Heart Research Australia. He is also a non-executive director of NSW Rugby Union and has previously served as the Independent Chairman of accounting and advisory firm Grant Thornton Australia. Tony has had an extensive career of over 30 years with leading Australian commercial law firm, DLA Phillip Fox. As a partner for 25 years, he served as that firm's Chief Executive between 1999 and 2010 and prior to that, Chairman of its Board.

Mr Crawford is Chairman of the Audit, Risk and Compliance Committee and is a member of the Nomination and Remuneration Committee.

Date of appointment: 16 July 2013

Company Secretary

MS REENA MINHAS – Chief Financial Officer, Company Secretary

Ms Minhas is a commercially and strategically focused senior finance executive with over 15 years' experience gained working in both a corporate environment and for leading professional services companies in Australia and the UK.

Ms. Minhas is an experienced CFO and Company Secretary of ASX Listed businesses with a background in due diligence and capital markets projects.

Date of appointment: 2 March 2015

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DIRECTOR'S REPORT (CONTINUED)

Directors' Interests in shares and options of the Company as at 30 June 2019

The relevant interest of each Director in shares and options of the Company at the date of this report is as follows:

	Fully Paid Ordinary Shares		Performance Rights	Options Over Ordinary Shares
Director	Direct	Indirect	Direct	Direct
Douglas Flynn	-	6,473,148	-	-
Philip Small	210,322	1,440,000	-	-
Anthony Crawford	-	358,005	-	-
Damian Banks	-	16,082,117	215,388	280,000

Performance Rights

There were 1,277,398 (2018: 578,097) performance rights outstanding at the date of this report.

Meetings of Directors

During the year, the following meetings were held. Attendances were:

	Board Meetings		Audit, Risk and Compliance Committee		Nomination and Remuneration Committee	
Director	No. of meetings held whilst a Director	No. of meetings attended	No. of meetings held whilst a Member	No. of meetings attended	No. of meetings held whilst a Member	No. of meetings attended
Douglas Flynn	10	10	2	2	3	3
Philip Small	10	10	2	2	3	3
Anthony Crawford	10	10	2	2	3	3
Damian Banks	10	10	-	-	-	-

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DIRECTOR'S REPORT (CONTINUED)

Principal Activities

Konekt provides new employment, return to work, mentally healthy workplace, safe employment and consulting services, to corporate, government and insurance customers. During the financial year, the principal continuing activities of the consolidated entity consisted of:

- Employment services as a contracted service provider to the Federal Government's jobactive, NEIS and Disability Employment Services programs; and
- Workplace injury prevention (including mentally health and safe employment consulting) and Return to Work injury management services.

Operating Results

The consolidated net profit after income tax of the Company for the financial year was $1,624,547 (2018 restated profit after tax of $653,645). Total Revenue and Other Income was $97.0m (2018: $89.1m).

Review of Operations

A review of operations of the Company during the year is contained in the Chairman's and Managing Director's Report on page 4.

Dividends Paid or Recommended

The Board is pleased to advise that it has resolved to declare a fully franked final dividend for the year of 1.00 cents per share (2018: 1.00 cents).

Significant Changes in State of Affairs

Konekt Employment - jobactive contract extensions

On 1 April 2019 Konekt Limited announced that it has accepted an offer by the Commonwealth of Australia, as represented by the Department of Jobs and Small Business, to extend its current jobactive contract by 2 years from June 2020 to 30 June 2022.

The contract extension includes both Konekt's Employment Provider Services and its NEIS Services, which in FY19 made up 93% of Konekt Employment's divisional revenue, and 52% of group revenue.

Under the conditions of the extension, there will be no change to existing payment structure during the extension period. The Department has advised that it may require other changes to the operation of the contract in the extension period.

The two-year extension follows the Australian Government's announcement by the Minister for Jobs and Industrial Relations(1) on 20 March 2019 to transform the employment services system and deliver better outcomes for job seekers, businesses and Australia. The extension will enable the Government to fine tune its proposed program and ensure service providers are well prepared to implement proposed digital enhancements and other changes in July 2022.

An additional component of the proposed transformation will be to move from a contract tendering process for service providers to a licence-based system in July 2022. This proposed change will enable service providers to invest in service quality and people to deliver the best outcomes to the Commonwealth of Australia and the unemployed with a longer-term outlook.

Konekt Workcare – MHS Contract Expiry

On 19 November 2018, Medibank Private Limited (ASX:MPL) announced that Medibank had not been selected as the preferred tenderer for the renewal of the Garrison Health Services Australian Government Department of Defence contract on 1 July 2019. Konekt provided rehabilitation services to Medibank Health Solutions (MHS) for its Garrison Health Services contract with the Department of Defence and the Australian Defence Force (ADF) for the six years Medibank has held this current contract, and as a direct provider to the ADF for many years prior this arrangement. Konekt was not successful in securing a new contract with the successful tenderer for the provision of rehabilitation services.

Konekt continued to perform services under the contract until its expiry date on 30 June 2019 so there was no significant impact to the F19 year, including exit costs of $0.2m. During the FY19 year, Konekt's revenue from the MHS contract was $9.7 million (2018: $12.6 million).

There were no other significant changes in the state of affairs of the consolidated entity during the financial year.

Likely Developments – Outlook

Reflecting the expiry of the MHS/ADF contract at end of FY19, Konekt expects FY20 revenue in the range of $88.0 - $91.0m and EBITDA in the range of $8.1 - $9.0m.

Whilst the immediate loss of these revenues will impact FY20 revenue and EBITDA, Konekt is confident that FY21 will see EBITDA above FY19 levels.

Remuneration Report – Audited

The Directors are pleased to present the Company's 2019 Remuneration Report. This Report sets out remuneration details for Non-Executive Directors, the Managing Director and other key management personnel ("KMP").

Remuneration Policies

The remuneration structures set out below are designed to attract and retain suitably qualified candidates, reward the achievement of strategic objectives, align executive interests with the creation of value for shareholders, to be acceptable to shareholders and to be consistent with the Company's capital management strategy.

Non-Executive Directors' Remuneration

Fees paid to Non-Executive Directors are reviewed annually. Information comes from an independent survey and the benchmark is the median payments to Directors of comparable companies.

Non-Executive Directors do not receive performance related remuneration or any retirement benefits.

Executive Remuneration

Remuneration for executives is a combination of fixed and variable components. The variable component is divided into short and long-term performance based incentives.

Fixed Remuneration

Fixed remuneration is calculated on a total cost basis and includes employer contributions to superannuation and the fringe benefits tax related to any benefits. The Nomination and Remuneration Committee reviews fixed remuneration annually with reference to comparable roles in similar companies.

DIRECTOR'S REPORT (CONTINUED)

Short-term Incentive

The Nomination and Remuneration Committee sets Key Performance Indicators ("KPIs") for the Managing Director and approves KPIs for certain other executives. KPIs cover financial, staff, customer and strategy areas. The measures are selected to align the incentive to the company's performance and strategy. At the end of the financial year the Nomination and Remuneration Committee assesses actual performance against the KPIs and awards a percentage of the predetermined maximum amount depending on the results.

Long-term Incentive

Long term incentives are provided to the Managing Director and other senior executives under the Konekt Performance Rights and Options Plan. Under the plan Options and/or Performance Rights are granted which will only vest if continuous service conditions and financial performance targets are met. Options and/or Performance Rights are issued for no consideration and have no dividend or voting rights. The vesting period is 3 years. The Nomination and Remuneration Committee sets the vesting conditions and the exercise price for Options. The hurdles for vesting are set to drive significant shareholder value.

Consequences of Performance on Shareholder Wealth

In considering the Company's performance and the consequences of its performance on shareholders' wealth the Nomination and Remuneration Committee has regard to the following measures in respect of the current and previous financial years. Over the last 6 years' short-term incentives have been paid to KMP as detailed below:

$'000	2019	2018 Restated	2017	2016	2015
Revenue	96,257	87,914	52,655	43,829	35,050
EBITDA	10,254	7,362	6,215	4,020	2,383
EBIT	2,920	1,345	5,148	3,857	1,839
Profit/(loss) after income tax	1,625	654	3,587	2,510	1,478
Cash bonuses to KMP's	-	**251**	**230**	**217**	**105**

The factors that are considered to affect total shareholder return ('TSR') are summarised below:

$'000	2019	2018 Restated	2017	2016	2015
Share price at financial year end ($A)	$0.17	$0.31	$0.58	$0.37	$0.20
Total dividends declared (cents per share)	1.00	1.00	0.75	0.50	-
Basic earnings per share (cents per share)	**1.54**	**0.65**	**4.90**	**3.45**	**2.0**

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DIRECTOR'S REPORT (CONTINUED)

		Short-term employee benefits			Post-employment benefits	Long-term benefits		Share-based payments	
		Cash salary and fees	Cash bonus	Non-monetary benefits	Superannuation	Long service leave	Termination benefits	Options and Performance Rights	Total
		$	$	$	$	$	$	$	$
Parent Entity Directors:									
Damian Banks	2019	423,315	-	-	24,039	11,148	-	48,422	506,924
	2018	410,142	150,000	-	21,743	15,186	-	38,817	635,888
Douglas Flynn	2019	91,324	-	-	8,676	-	-	-	100,000
	2018	91,324	-	-	8,676	-	-	-	100,000
Philip Small	2019	48,294	-	-	11,706	-	-	-	60,000
	2018	48,294	-	-	11,706	-	-	-	60,000
Anthony Crawford	2019	54,794	-	-	5,206	-	-	-	60,000
	2018	54,794	-	-	5,206	-	-	-	60,000
Total Remuneration – Parent Entity Directors:									
Total	2019	617,728	-	-	49,625	11,148	-	48,422	726,923
	2018	604,554	150,000	-	47,331	15,186	-	38,817	855,888
Key Management Personnel of the Company:									
Reena Minhas	2019	94,234	-	-	13,966	641	-	26,717	135,559
	2018	231,541	101,000	-	21,546	1,646	-	28,647	384,380
Total Remuneration – Parent Entity Directors and Key Management Personnel of the Company:									
	2019	711,962	-	-	63,592	11,790	-	75,139	862,482
	2018	836,095	251,000	-	68,877	16,832	-	67,464	1,240,268

* *In 2019 Damian Banks received nil of the target annual bonus payable.*

** *In 2019 Reena Minhas received nil of the target annual bonus payable (Ms Minhas held the position of CFO/Company Secretary as follows during the financial year: 1st July 2018 to 17th August 2018 and 8th March 2019 to 30th June 2019).*

KMP are those directly accountable and responsible for the operational management and strategic direction of the Company.

Share Options

During the financial year, 450,000 ordinary shares were issued as a result of the exercise of options.

Performance Rights

During the year 968,289 Performance Rights were granted to the Managing Director and certain senior executives as long term incentives under the Konekt Performance Rights and Options Plan.

The Managing Director was issued with 129,346 Performance Rights, approved by shareholders at the AGM on 2 November 2018. The following terms apply to the issue of the Performance Rights:

- Grant date: 19 September 2018 (Senior Executives)
- Grant date: 02 November 2018 (Managing Director)
- Performance period: 1 July 2018 to 30 June 2021

DIRECTOR'S REPORT (CONTINUED)

- Vesting Date: The date of the notice that may be provided to a Participant to advise that Rights have vested. Such a notice may be issued to the Participant following the elapsing of the Performance Period and the Board's assessment of the extent to which any Exercise Conditions were met. If no Rights vest, then there is no First Exercise Date.
- Issue price: $Nil
- Exercise price: $Nil
- Fair Value: $0.2822 (19 September 2018) and $0.2734 (02 November 2018)
- Service Condition: Continuous employment with Konekt Limited up to and including 30 June 2021 for 100% of the Rights to vest (subject to satisfaction of the performance condition at the termination date); or if the cessation of employment of the Participant is classified as Good Leaver as defined in Rules of the Plan, any grant that was made during the year of the termination will be forfeited in the proportion that the remainder of the financial year bears to the full financial year, as at the date of the termination. All remaining unvested Rights will be subject to Board discretion regarding the extent of vesting, if any.

The vesting of Rights will be subject to Konekt achieving the earnings per share before amortization ("EPSA") Target below.

November 2018 Invitation: Performance Level	EPSA* Compound Annual Growth Rate (CAGR)	% of Stretch /Maximum/Grant Vesting
Target	12%	100%
Between Threshold and Target	>8%, <12%	Pro-rata
Threshold	8%	50%
Below Threshold	<8%	0%

* *EPSA is defined as Earnings per share before amortisation (EPSA) and is calculated as the Company's Net Profit after Tax before Amortisation (NPATA) divided by the average number of shares on issue during the financial year, or in accordance with a policy developed by the Board. EPSAG is calculated as the annualised growth in EPSA by comparing the EPSA at the end of the Performance Period to the EPSA achieved in the year prior to the start of the Performance Period, as follows: (EPSA End ÷ EPSA Start) ^1/(years in Performance Period)-1*

Service Agreements

Remuneration and other terms of employment for the Managing Director and KMP are formalised in service agreements. Each of these provides for a performance related cash bonus and superannuation. Other major provisions of the agreements relating to remuneration are set out below:

Damian Banks – Group Chief Executive Officer, Managing Director

- Term of agreement: no fixed term
- Either party must give 90 days' notice in writing to terminate the agreement
- Current base salary, including superannuation, amounting to $465,000 p.a. to be reviewed annually by the Nomination and Remuneration Committee. This remuneration will not change in FY20. No part of this remuneration is performance related
- A short term incentive target of $186,000 has been set for FY20 (up to 29% of the total remuneration). This incentive is performance related, based on achieving performance criteria set at the Board's discretion
- The role is eligible for Long term incentives at the discretion of the Board and approved by the Nomination and Remuneration committee annually

DIRECTOR'S REPORT (CONTINUED)

Reena Minhas – Group Chief Financial Officer, Company Secretary

- Term of agreement: no fixed term
- Either party must give 90 days' notice in writing to terminate the agreement
- Current base salary, including superannuation, amounting to $250,000 p.a. to be reviewed annually by the Nomination and Remuneration Committee. From 9 September 2019, this will increase to $260,000 p.a. No part of this remuneration is performance related
- A short term incentive target of $78,000 has been set for FY20 (up to 30% of the total remuneration). This incentive is performance related, based on achieving performance criteria
- The role is eligible for Long term incentives at the discretion of the Board and approved by the remuneration committee annually

Additional disclosures relating to key management personnel

Shareholdings of Parent Entity Directors and Key Management Personnel

The number of shares in the Company during the 2019 and 2018 reporting periods by each parent entity Director and KMP of the Company are set out below:

30 June 2019	Balance 1 July 2018	Granted as Remuneration	On Exercise of Options	Net Change Other	Balance 30 June 2019
	Ordinary Shares	Ordinary Shares	Ordinary Shares	Ordinary Shares	Ordinary Shares
Parent Entity Directors					
Douglas Flynn^	6,271,028	-	-	262,311	6,533,339
Philip Small#	1,650,322	-	-	-	1,650,322
Anthony Crawford*	358,005	-	-	-	358,005
Damian Banks**	15,382,916	-	250,000	449,201	16,082,117
Key Management Personnel					
Reena Minhas	51,250	-	100,000	-	151,250
Total	**23,713,521**	-	**350,000**	**711,512**	**24,775,033**

^ Douglas Flynn's shares are held indirectly through Flynn Superannuation Fund
# Philip Small's shares are held directly and indirectly through National Nominees Ltd
* Anthony Crawford's shares are held indirectly through Crawford Superannuation Fund
** Damian Banks' shares are held directly and indirectly through Nidmas Pty Ltd <Banks Family Superannuation Fund A/C> and Mattmel Pty Ltd <Banks Superannuation Fund>

During the financial year, 450,000 Options issued to KMP in FY16 were exercised. For Options exercised during the year, the weighted average share price paid was $0.192 (2018: $0.092). Fair value of Options exercised was $19,815 (2018: $18,800).

KONEKT

DIRECTOR'S REPORT (CONTINUED)

30 June 2018	Balance 1 July 2017	Granted as Remuneration	On Exercise of Options	Net Change Other	Balance 30 June 2018
	Ordinary Shares	Ordinary Shares	Ordinary Shares	Ordinary Shares	Ordinary Shares
Parent Entity Directors					
Douglas Flynn^	3,047,752	-	-	3,223,276	6,271,028
Philip Small#	1,200,000	-	-	450,322	1,650,322
Anthony Crawford*	243,700	-	-	114,305	358,005
Damian Banks**	13,500,000	-	400,000	1,482,916	15,382,916
Key Management Personnel					
Reena Minhas	-	-	-	51,250	51,250
Total	**17,991,452**	-	**400,000**	**5,322,069**	**23,713,521**

^ Douglas Flynn's shares are held indirectly through Flynn Superannuation Fund and Flynn Superannuation Fund Two

Philip Small's shares are held indirectly through Hawks Hill Super Fund

* Anthony Crawford's shares are held indirectly through Crawford Superannuation Fund

** Damian Banks' shares are held indirectly through Nidmas Pty Ltd

Option & Performance holdings of Parent Entity Directors and Key Management Personnel

30 June 2019	Balance at 1 July 2018	Granted	Exercised	Lapsed	Balance at 30 June 2019	Total vested at 30 June 2019	Total vested and exercisable at 30 June 2019	Total vested and un-exercisable at 30 June 2019
Options								
Damian Banks	530,000	-	(250,000)	-	280,000	-	-	-
Reena Minhas	240,000	-	(100,000)	-	140,000	-	-	-
Total	**770,000**	-	**(350,000)**	-	**420,000**	-	-	-
Performance Rights								
Damian Banks	86,042	129,346	-	-	215,388	-	-	-
Reena Minhas	55,688	83,449	-	-	139,137	-	-	-
Total	**141,730**	**212,795**	-	-	**354,525**	-	-	-

DIRECTOR'S REPORT (CONTINUED)

30 June 2018	Balance at 1 July 2017	Granted	Exercised	Lapsed	Balance at 30 June 2018	Total vested at 30 June 2018	Total vested and exercisable at 30 June 2018	Total vested and un-exercisable at 30 June 2018
Options								
Damian Banks	930,000	-	(400,000)	-	530,000	-	-	-
Reena Minhas	240,000	-	-	-	240,000	-	-	-
Total	**1,170,000**	**-**	**(400,000)**	**-**	**770,000**	**-**	**-**	**-**
Performance Rights								
Damian Banks	-	86,042	-	-	86,042	-	-	-
Reena Minhas	-	55,688	-	-	55,688	-	-	-
Total	**-**	**141,730**	**-**	**-**	**141,730**	**-**	**-**	**-**

This concludes the remuneration report, which has been audited.

Audit Services

During the year, audit and review fees paid and payable to the Company's auditor BDO East Coast Partnership was $136,000 (2018: $168,00).

Non-audit Services

Details of the amount paid to the auditor for non-audit services provided during the financial year by the auditor are outlined in note 20 to the financial statements.

The Directors are satisfied that the provision of non-audit services during the financial year, by the auditor (or by another person or firm on the auditor's behalf), is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001.

Environmental Regulations

The Company's operations are not subject to significant environmental regulations under either Commonwealth or State legislation.

Significant Events after the End of the Reporting Period

On 9 August 2019, Konekt Limited announced that it had exchanged contracts to acquire the Disability Employment Services (DES) business of Artius Pty Ltd (Artius), headquartered in Ipswich, Queensland. The acquired services will be delivered across 5 locations in regional Queensland with contract tenure to 30 June 2023. The proposed acquisition which will be funded from cash reserves with a small earn-out based on future performance. It is expected that the acquisition will contribute revenues of $1.1 million to Konekt in FY20 (c.10 months) and be EPSA accretive in the first year.

On 20 August 2019 Konekt Limited announced that it had refinanced its debt with the Commonwealth Bank of Australia replacing the CBA acquisition finance facility put in place in September 2017. Under the amended facility agreement principal repayments will reduce from $1.0m per quarter to $500,000 per quarter. The drawn balance of the facility at 30 June 2019 was $12.7m. As at the date of signing the accounts the current portion of the debt is $2.0m (30 June 2019: $4.0m) and non-current $10.7 (30 June 2019: $8.7m).

KONEKT

DIRECTOR'S REPORT (CONTINUED)

Indemnification and Insurance of Directors

The Company has agreed to indemnify all current Directors and Officers of the Company and former Directors and Officers of the Company against all liabilities to another person (other than the Company or a related body corporate) that may arise from their position as Directors and Officers of the Company and its subsidiaries, except where the liability arises out of conduct involving a lack of good faith. Subject to the terms of the Directors' and Officers' Insurance policy the agreement stipulates that the Company will meet the full amount of any such liabilities, including costs and expenses.

The Company has also agreed to indemnify the current Directors and Officers of its subsidiaries for all liabilities to another person (other than the Company or a related body corporate) that may arise from their position, except where the liability arises out of conduct involving a lack of good faith. The agreement stipulates that the Company will meet the full amount of any such liabilities, including costs and expenses.

The Company has agreed to indemnify executive officers and employees for all liabilities to another person (other than the Company or a related body corporate) that may arise from their position in the Company and its subsidiaries, except where the liability arises out of conduct involving a lack of good faith. The agreement stipulates that the Company will meet the full amount of any such liabilities, including costs and expenses.

Insurance Premiums

The Directors have taken out a Directors' and Officers' Insurance policy but have not included details of the nature of the liabilities covered or the amount of the premium paid in respect of the policy as such disclosure is prohibited under the terms of the contract.

Proceedings on Behalf of Company

No person has applied for leave of Court to bring proceedings on behalf of the Company or intervene in any proceedings to which the Company is a party for the purpose of taking responsibility on behalf of the Company for all or any part of those proceedings.

The Company was not a party to any such proceedings during the year.

Corporate Governance

In recognising the need for the highest standards of corporate behavior and accountability, the Directors of the Company support and have adhered to the principles of Corporate Governance except as outlined in the Corporate Governance Statement which is available via this URL on our website - http://www.konekt.com.au/about-us/corporate-governance/

Auditor's Independence Declaration

The auditor's independence declaration under section 307C of the Corporations Act can be found on page 23 of this report.

Rounding of Accounts (continued)

The parent entity has applied the relief available in ASIC Legislative Instrument 2016/191 and, accordingly, amounts in the financial statements and Directors' report have been rounded.

Signed in accordance with a Resolution of the Board of Directors.

Douglas Flynn
Chairman

Damian Banks
Group Chief Executive Officer

22 August 2019, Sydney

AUDITOR'S INDEPENDENCE DECLARATION

BDO

Tel: +61 2 9251 4100
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www.bdo.com.au

Level 11, 1 Margaret St
Sydney NSW 2000 Australia

DECLARATION OF INDEPENDENCE BY ARTHUR MILNER TO THE DIRECTORS OF KONEKT LIMITED

As lead auditor of Konekt Limited for the year ended 30 June 2019, I declare that, to the best of my knowledge and belief, there have been:

1. No contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and
2. No contraventions of any applicable code of professional conduct in relation to the audit.

This declaration is in respect of Konekt Limited and the entities it controlled during the period.

Arthur Milner
Partner

BDO East Coast Partnership
Sydney, 22 August 2019

KONEKT

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 30 June 2019

	Notes	Consolidated 2019 $'000	2018 Restated $'000
Revenue from continuing operations	**5**	**96,257**	**87,914**
Re-measurement of contingent consideration		41	160
Other income		728	1,032
Expenses			
External consultants		(4,000)	(4,584)
Depreciation and amortisation expenses		(7,334)	(6,017)
Finance costs		(1,139)	(1,027)
Share based payments expense	15d	(207)	(159)
Salaries and employment related costs	4	(63,355)	(55,916)
Property expenses		(9,608)	(9,640)
Communication expenses		(1,648)	(1,765)
Motor vehicle and equipment expenses		(1,336)	(1,350)
Travel and accommodation expenses		(1,120)	(1,107)
Other expenses from continuing operations		(5,498)	(7,223)
Profit before income tax expense		**1,781**	**318**
Income tax credit / (expense)	6	(156)	336
Profit after income tax expense for the year attributable to the owners of Konekt Limited		**1,625**	**654**
Other comprehensive income for the year, net of tax			
Total comprehensive income for the year attributable to the owners of Konekt Limited		**1,625**	**654**
Earnings per share for profit attributable to the owners of Konekt Limited			
Basic earnings per share (cents per share)	3	1.54	0.65
Diluted earnings per share (cents per share)	3	1.52	0.65

The accompanying notes form part of these financial statements. Refer note 4 for details regarding the restatement as a result of a prior period adjustment.

KONEKT

STATEMENT OF FINANCIAL POSITION

As at 30 June 2019

		Consolidated	
	Notes	2019 $'000	2018 Restated $'000
Current assets			
Cash and cash equivalents		-	5,661
Trade and other receivables	8	9,852	9,818
Work in progress		138	298
Current tax assets		642	-
Other assets		400	460
Total current assets		**11,032**	**16,237**
Non-current assets			
Other assets		90	55
Property, plant and equipment	9	3,835	4,530
Deferred tax asset	7	7,086	7,808
Intangibles assets	10	41,586	44,725
Total non-current assets		**52,597**	**57,118**
Total assets		**63,629**	**73,355**
Current liabilities			
Trade and other payables	11	8,398	11,176
Deferred revenue		5,308	5,033
Deferred consideration		-	1,349
Employee benefits	12	4,192	4,793
Provisions	13	681	1,773
Current tax Liabilities		-	328
Borrowings	14	4,656	5,014
Total current liabilities		**23,235**	**29,466**
Non-Current liabilities			
Trade and other payables	11	70	36
Provisions	13	472	472
Employee benefits	12	674	728
Borrowings	14	8,683	11,978
Total Non-Current Liabilities		**9,899**	**13,214**
Total Liabilities		**33,134**	**42,680**
Net Assets		**30,495**	**30,675**
			Equity
Contributed equity	15	53,420	53,334
Reserves	15	760	553
Profits Reserve		4,266	3,694
Accumulated losses		(27,951)	(26,906)
Total Equity		**30,495**	**30,675**

The accompanying notes form part of these financial statements. Refer note 4 for details regarding the restatement as a result of a prior period adjustment.

KONEKT

STATEMENT OF CASH FLOWS

For the year ended 30 June 2019

	Notes	Consolidated 30-Jun-19 $'000	Consolidated 30-Jun-18 $'000
Cash flows from operating activities			
Receipts from customers (inclusive of GST)		106,620	99,278
Payments to suppliers and employees (inclusive of GST)		(100,487)	(90,933)
Payments of one-off acquisition expenses		(909)	(2,126)
		5,224	**6,219**
Interest received		-	27
Interest paid		(1,025)	(515)
Income taxes paid		(445)	(1,871)
Net cash from operating activities	**25**	**3,755**	**3,860**
Cash flows from investing activities			
Purchase of plant and equipment	9	(1,156)	(1,603)
Purchase of intangible assets	10	(2,331)	(1,914)
Payments for Deferred Consideration		(1,339)	(1,255)
Payment for purchase of business, net of cash acquired		-	(24,857)
Net cash used in investing activities		**(4,826)**	**(29,629)**
Cash flows from financing activities			
Payments for cost of issue of shares		-	(1,090)
Proceeds from Issue of Shares		86	15,771
Payments for on market share buyback		-	(237)
Dividends Paid	2	(1,053)	(547)
Payments of financial lease liability		(1,008)	(567)
Proceeds from borrowings		1,130	18,252
Repayment of borrowings		(4,000)	(3,000)
Net cash provided (used in) financing activities		**(4,845)**	**28,582**
Net (decrease)/ increase in cash and cash equivalents		**(5,917)**	**2,813**
Cash and cash equivalents at the beginning of the financial year		5,661	2,848
Cash and cash equivalents at the end of the financial year	25	**(256)**	**5,661**

The accompanying notes form part of these financial statements.

KONEKT

STATEMENT OF CHANGES IN EQUITY

For the year ended 30 June 2019

	Contributed equity $'000	Accumulated losses $'000	Profits Reserve $'000	Option reserve $'000	Total equity $'000
Balance at 30 June 2017 as originally presented	38,580	(26,906)	3,587	394	15,655
Profit after income tax expense for the year as originally presented	-	(170)	-	-	(170)
Prior period adjustment, net of tax (note 4)	-	824	-	-	824
Transfer to Profits Reserve		(654)	654		-
Other comprehensive income for the year, net of tax	-	-	-	-	-
Restated total comprehensive income for the year	**-**	**-**	**654**	**-**	**654**
Transactions with owners in their capacity as owners:					
Share buyback	(237)	-	-	-	(237)
Proceeds from Issue of Shares	14,991	-	-	-	14,991
Dividends Paid or provided for	-	-	(547)	-	(547)
Share based payments (note 15d)	-	-	-	159	159
Restated balance at 30 June 2018	53,334	(26,906)	3,694	553	30,675
Change in accounting policy (AASB 15)		(1,045)			(1,045)
Restated total equity at the beginning of the financial year	**53,334**	**(27,951)**	**3,694**	**553**	**29,630**
Profit after income tax expense for the year	-	1,625	-	-	1,625
Transfer to Profits Reserve		(1,625)	1,625		
Other comprehensive income for the year, net of tax	-	-	-	-	-
Total comprehensive income for the year	**-**	**-**	**1,625**	**-**	**1,625**
Transactions with owners in their capacity as owners:					
Proceeds from Issue of Shares	86	-	-	-	86
Dividends Paid or provided for	-	-	(1,053)	-	(1,053)
Share based payments (note 15d)	-	-	-	207	207
Balance at 30 June 2019	53,420	(27,951)	4,266	760	30,495

The accompanying notes form part of these financial statements. Refer note 4 for details regarding the restatement as a result of a prior period adjustment.

KONEKT

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2019

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements of Konekt Limited for the year ended 30 June 2019 ("the financial year") cover Konekt Limited as a consolidated entity, consisting of Konekt Limited and the entities it controlled during the year (referred to hereafter as the 'Company'). Konekt Limited is a listed public Company limited by shares, incorporated and domiciled in Australia.

In accordance with the Corporations Act 2001, these financial statements present the result of the consolidated entity only. Supplementary information about the parent entity can be found in Note 28.

The financial statements were authorised for issue in accordance with a resolution of Directors on 22 August 2019.

New, revised or amending Accounting Standards and Interpretations adopted

The Company has adopted all of the new, revised or amending Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') that are mandatory for the current reporting period.

Any new, revised or amending Accounting Standards or Interpretations that are not yet mandatory have not been early adopted.

Except for the adoption of AASB 15 *Revenue from Contracts with Customers*, there were no significant impacts on the accounting policies, financial position, performance or disclosures of the Company from the adoption of these Accounting Standards and Interpretations. See note 5 for the impact of adoption of AASB 15.

Basis of Preparation

These general purpose financial statements have been prepared in accordance with Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ("AASB") and the Corporations Act 2001, as appropriate for for-profit oriented entities. These financial statements also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board ("IASB"). Currency is Australian Dollars.

Reporting Basis and Conventions

The financial statements have been prepared on an accruals basis and are based on historical costs modified by the revaluation of selected non-current assets, financial assets and financial liabilities for which the fair value basis of accounting has been applied.

Principles of Consolidation

The consolidated financial statements incorporate the assets and liabilities of Konekt Limited ("Company" or "parent entity") as at 30 June 2019 and the results of all of its subsidiaries for the year then ended. Konekt Limited and its subsidiaries together are referred to in these financial statements as the Company.

A subsidiary is any entity controlled by Konekt Limited. Control exists where Konekt Limited has the power to govern the financial and operating policies of another entity.

All inter-company balances and transactions between entities within the Company, including any unrealised profits or losses, have been eliminated on consolidation.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Cash and Cash Equivalents

For purposes of the Statement of Cash Flows, cash and cash equivalents includes cash on hand, deposits held on call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to insignificant risk of changes in value, and bank overdrafts. Bank overdrafts are reported within borrowings in current liabilities on the statement of financial position.

Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of GST, except where the GST incurred is not recoverable from the Australian Tax Office. In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of an item of expense.

Receivables and payables are stated inclusive of GST. The net amount of GST recoverable from, or payable to, the Australian Taxation Office is included with other receivables or payables in the statement of financial position.

Cash flows are presented on a gross basis except for the GST components of cash flows arising from investing and financing activities, which are disclosed as operating cash flows.

Impairment of Assets

Goodwill and intangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment or more frequently if events or changes in circumstances indicate that they might be impaired. Other assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purpose of assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects the current market assessments of the time value of money and the risks specific to the asset. Where it is not possible to estimate recoverable amount for an individual asset, recoverable amount is determined for the cash generating unit to which the asset belongs. Non-financial assets other than goodwill that suffered impairment are reviewed for possible reversal of the impairment at the end of each reporting period.

Rounding of Amounts

The Company has applied the relief available under ASIC legislative Instrument 2016/191 and accordingly, amounts in the financial statements and Directors' report have been rounded to the nearest thousand dollars, or in certain cases, to the nearest dollar

Share Based Payments

Share-based compensation benefits are provided to Directors and senior executives via options or performance rights under the Konekt Performance Rights and Options Plan. Information relating to this plan is set out in Note 15 (d).

The fair value of options granted under the plan is recognised as an employee benefit expense with a corresponding increase in equity. The fair value is measured at grant date and recognised over the period during which the Directors become unconditionally entitled to the options.

The fair value at grant date is independently determined using a Black Scholes option pricing model that takes into account the exercise price, the term of the option or performance right, the impact of dilution, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield and the risk free interest rate for the term of the option or performance right.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Offers are also made from time to time to all eligible staff under the Konekt Share Acquisition Plan and the Konekt Deferred Employee Share Plan. Any issues under these plans are recognised as a benefit expense with a corresponding increase in equity in relation to any portion which is not funded by the employee.

Comparative Amounts

Where required by accounting standards, the reclassification of comparatives has been performed in order to conform to the changes in presentation for the current financial year.

Other Accounting Policies & Critical Accounting Estimates and Judgements

Other accounting policies and critical accounting estimates and judgements are included in the relevant notes revenue, intangible assets, deferred tax asset and share based payments.

New Accounting Standards and Interpretations not yet mandatory or early adopted

Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet mandatory, have not been early adopted by the Company for the annual reporting period ended 30 June 2019. The Company's assessment of the impact of these new or amended Accounting Standards and Interpretations, most relevant to the Company, are set out below.

AASB 16 Leases

This standard is applicable to annual reporting periods beginning on or after 1 January 2019. When effective, this Standard will replace the current accounting requirements applicable to leases in AASB 117: Leases and related Interpretations. AASB 16 introduces a single lessee accounting model that eliminates the requirement for leases to be classified as operating or finance leases typically.

The Company has chosen not to early-adopt AASB 16. However, the Company has conducted an assessment of the impact of this new Standard, as follows.

The Company's non-cancellable operating lease commitments amount to $14,358,000 as at the reporting date, (see note 16). Of this $14,358,000, approximately $159,000 of short-term leases and low-value leases will be recognised as expense in profit or loss on a straight-line basis.

The Company has performed an assessment and has estimated that on 1 July 2019, the Company expects to recognise the right-of-use assets of approximately $17,977,000 and lease liabilities of approximately $17,818,000.

Following the adoption of this new Standard, the Company's net profit after tax is expected to increase by approximately $165,000 in FY20.

The repayment of the principal portion of the lease liabilities will be classified as cash flows from financing activities, thus increasing operating cash flows and decreasing financing cash flows by approximately $7,184,000.

AASB 16 will be applied by the Company from its mandatory adoption date of 1 July 2019. The simplified transition approach will be the Company's chosen approach, and thus the comparative amounts for the year prior to first adoption will not be restated. The right-of-use assets will be measured at the amount of the lease liability on adoption.

2. DIVIDENDS

A Fully franked final dividend of 1.00 cents per share was declared on 22 August 2019 (2018: 1.00 cents). As the dividend was declared after the year end no liability has been recognised in these financial statements.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

2. DIVIDENDS (CONTINUED)

	Consolidated	
	30-Jun-19 $'000	30-Jun-18 $'000
Distributions Paid		
Final Dividend in respect of 2018 year of 1.00 cents (2017: 0.75 cents) per fully paid ordinary share 100% franked at 30% tax rate	1,053	547

The Company's franking account at 30 June 2019 has a balance of $3,619,763 (2018: $3,751,196).

3. EARNINGS PER SHARE

	Consolidated	
	2019	2018 Restated
Basic earnings per share (cents per share)	1.54	0.65
Diluted earnings per share (cents per share)	1.52	0.65
Weighted average number of shares used in the		
Calculation of the basic earnings per share	105,492,040	99,937,472
Calculation of the diluted earnings per share	106,645,279	101,144,718

	Consolidated	
	2019	2018
Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share	**105,492,040**	**99,937,472**
Adjustments for calculation of diluted earnings per share		
Options over ordinary shares	1,153,239	1,207,246
Weighted average number of ordinary shares used in the denominator in calculating diluted earnings per share	**106,645,279**	**101,144,718**

Basic earnings per share is determined by dividing the profit attributable to members of Konekt Limited after related income tax expense by the weighted average number of ordinary shares outstanding during the financial year. Diluted earnings per share adjust for the effects of all dilutive potential of current options over ordinary shares. There is no dilutive potential of current options when the Company is in a loss position. In this case, the diluted earnings per share are equal to the basic earnings per share.

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

4. PRIOR PERIOD ADJUSTMENT

In FY19 prior period adjustments were identified as follows:

1. The Company's detailed review of Konekt Employment's Trade and Other Payables balance during FY19 revealed that costs relating to liabilities included in the balance had already been expensed in the Statement of Profit or Loss and Other Comprehensive income and paid in 2017 and 2018. The company concluded that the acquired balance of Trade and Other Payables at 30 September 2017 and 30 June 2018 was therefore overstated and have adjusted for these including associated tax adjustments as detailed in the note below.

2. The Company's review of Konekt Employment's income tax return for the 9 months ended 30 September 2017 (stub period) revealed that deferred revenue was incorrectly treated in the tax return as assessable. As a result, the acquired deferred tax asset was therefore overstated.

These findings have been adjusted in the 2019 Annual Report by restating each of the affected financial statement line items for the year ended 30 June 2018, with an increase in Profit after tax and Net Assets of $824,000 respectively.

	Balance Sheet (extract)		
	30 Jun 2018	Increase/(Decrease)	30 June 2018 Restated
	$'000	$'000	$'000
Current Tax Asset /(Liabilities)	25	(353)	(328)
Deferred tax asset	9,150	(1,342)	7,808
Intangibles assets	44,112	613	44,725
Trade and other payables	(13,082)	1,906	(11,176)
Net Assets	**29,851**	**824**	**30,675**
Accumulated losses	(27,074)	824	(26,250)
Total equity	**29,851**	**824**	**30,675**
	Statement of Profit or Loss (extract)		
	30 Jun 2018	Increase/(Decrease)	30 June 2018 Restated
	$'000	$'000	$'000
Salaries and employment related costs	(57,093)	1,177	(55,916)
Profit before income tax expense	**(859)**	**1,177**	**318**
Income tax expense	689	(353)	336
Profit after income tax expense for the year attributable to the owners of Konekt Limited	**(170)**	**824**	**654**

Basic and diluted earnings per share for the prior year have also been restated. The amount of the adjustment for both basic and diluted earnings per share was an increase of $0.0082 cents per share.

5. REVENUE FROM CONTRACTS WITH CUSTOMERS

Accounting policy for revenue recognition

Konekt is a leading integrated provider of outsourced solutions, and earns revenue from delivering workplace health, well-being and employment services to individuals, major government and corporate clients. Revenue is measured at the fair value of consideration received or receivable. Amounts disclosed as revenue are net of credits, duties and taxes paid. Revenue from the rendering of a service is recognised upon the delivery of the service to the customer. Revenue from outcome fees is recognised on achieving an outcome (completion of a time period in employment) and the fee becomes payable, which is when the performance obligation of the contract is met. Services are priced based on either pre-determined legislative fees or on specific negotiations with customers.

Disaggregation of revenue

Revenue is disaggregated by type of revenue as this depicts how the nature, amount, timing and uncertainty of our revenue and cash flows are affected by economic factors. The three types of revenue are:

- A fee for delivery of a service, which are largely at an hourly rate or fee for service and typically paid 30 days after invoice date. The revenue is recognized as the performance obligation is satisfied – being the delivery of the service per the contractual requirements;

- An Administration or Commencement fee, which is received upfront. The performance obligation is assisting jobseekers to find new employment. The Company recognizes revenue over time as the performance obligation is satisfied, which is typically within 12 months of receiving the fee;

- An Outcome fee, which is received upon satisfaction of the performance obligation being completion of a time period in employment. Revenue is recognized at this point in time.

Revenue is deferred when services have been invoiced and/or monies received, but the performance obligation is not satisfied. The Company expects to recognize this revenue within 3 to 12 months of balance date. Determination whether a performance obligation has been met, in relation to deferred revenue, is based on observable facts.

	Consolidated	
	2019 $'000	2018 $'000
Fee for services delivered	43,156	49,315
Administration or Commencement fee	25,823	18,782
Fee for outcome	28,047	21,009
Total revenue	**97,026**	**89,106**

Adoption of AASB 15

The Company adopted AASB 15 Revenue from Contracts with Customers from 1 July 2018. Revenue is recognized to depict the transfer of promised services to customers at an amount that reflects the consideration to which the entity expects to be entitled in exchange for those services. Upon adoption, the Company adjusted its deferred revenue by $1,045,000 with the adjustment taken through Retained Earnings in accordance with the transitional provisions in AASB 15.

This adjustment reflects the aggregate services for which the performance obligation (providing services to jobseekers) had not yet been met. Revenue is deferred when services have been invoiced and/or monies received, but the performance obligation is not satisfied. The Company expects to recognize this revenue as services are rendered within 12 months of balance date. Determination of whether a performance obligation has been met, in relation to deferred revenue, is based on observable facts.

6. INCOME TAX EXPENSE

The operating result before income tax includes the following specific expenses:

	Consolidated	
	2019 $'000	2018 Restated $'000
Profit / (loss) from continuing operations before income tax expense as originally presented	**1,781**	**(859)**
Prior period adjustment (note 4)	-	1,177
Profit / (loss) from continuing operations before income tax expense	**1,781**	**318**
Tax at the Australian tax rate of 30%	534	95
Non-deductible expenses:		
Entertainment	27	11
Acquisition costs	-	220
Other	(4)	118
Share based payments	63	48
Adjustment recognised for prior periods	(464)	(30)
Previously unrecognised tax losses now recognised	-	(750)
Revaluation of Deferred Consideration Payable	-	(48)
Income tax expense / (income)	**156**	**(336)**
Unrecognised deferred tax assets		
Deferred tax assets have not been recognised in the balance sheet for the following items:		
Unused tax losses	12,502	9,694
	12,502	**9,694**
Potential benefit at 30% (2018: 30%)	3,751	2,908

The charge for current income tax expense is based on the results of the year adjusted for any non- assessable or disallowable items. It is calculated using the tax rates that have been enacted or are substantially enacted by the end of financial year.

Tax consolidation

For the purposes of income taxation, Konekt Limited and its 100% owned subsidiaries have formed a tax consolidated group. Members of the Group have entered into tax sharing agreements in order to allocate income tax expense to the relevant entity on a pro-rata basis and this is recorded via intercompany receivables / payables. In addition, the agreement provides for the allocation of income tax liabilities between the entities should the head entity default on its tax obligations. At the end of the reporting period the possibility of default is remote.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

6. INCOME TAX EXPENSE (CONTINUED)

The operating result before income tax includes the following specific expenses:

	Consolidated	
	2019 $'000	2018 Restated $'000
Current tax expense		
Current tax expense	159	1,031
Adjustment recognised for prior periods	(725)	(30)
Total current tax expense	(566)	1,001
Deferred tax expense		
Origination and reversal of temporary differences	462	(1,347)
Adjustment recognised for prior periods	260	10
Total deferred tax expense	722	(1,337)
Income tax expense / (income)	**156**	**(336)**

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7. DEFERRED TAX ASSETS

Deferred tax is recognised for all temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. No deferred income tax will be recognised from the initial recognition of an asset or liability, excluding a business combination, where there is no effect on accounting or taxable profit or loss.

Deferred tax is calculated at the tax rates that are expected to apply for the period when the asset is realised or the liability is settled. Deferred tax is credited to profit or loss except where it relates to items that may be credited directly to equity or to other comprehensive income, in which case the deferred tax is credited directly against equity or other comprehensive income.

Deferred tax assets are recognised to the extent that it is probable that future tax profits will be available against which deductible temporary differences can be utilised.

The amount of benefits brought to account, or which may be realised in the future, is based on the assumption that no adverse change will occur in income taxation legislation and the anticipation that the Group will derive sufficient future assessable income to enable the benefit to be realised and comply with the conditions of deductibility imposed by the law.

	Consolidated	
Deferred tax assets comprise temporary differences attributable to:	**2019 $'000**	**2018 Restated $'000**
Deferred Tax Asset		
Provision for impairment of receivables	22	53
Employee benefits and other provisions	2,010	2,295
FBT accrual	(48)	19
Leasehold Incentive	46	26
General accrual	21	674
Make good provision	346	1,397
Deferred income	376	515
Movement in depreciation	1,309	900
Share issue costs	304	304
Business Capital Expenditure	206	515
Pre-formation tax losses	4,664	4,271
Total Deferred Tax Asset	9,257	10,969
Deferred Tax Liability		
Work in progress	(41)	(89)
Other intangible assets	(41)	(76)
Customer contract	(2,089)	(2,996)
Total Deferred Tax Liability	**(2,172)**	(3,161)
Total Deferred Tax Asset	**7,086**	**7,808**

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

7. DEFERRED TAX ASSETS (CONTINUED)

Movements in deferred tax assets:	Balance at 1 July 2018 $'000	Prior period adjustment $'000	Balance at 1 July 2018 Restated $'000	(Charged) / credited to profit or loss $'000	Balance at 30 June 2019 $'000
Deferred Tax Asset					
Provision for impairment of receivables	53	-	53	(30)	23
Employee benefits and other provisions	2,295	-	2,295	(285)	2,010
FBT accrual	19	-	19	(67)	(48)
Leasehold Incentive	26	-	26	20	46
General accrual	674	-	674	(653)	21
Make good provision	1,397	-	1,397	(1,051)	346
Deferred income	1,520	(1,005)	515	(139)	376
Movement in depreciation	1,237	(337)	900	409	1,309
Share issue costs	304	-	304	-	304
Business Capital Expenditure	515	-	515	(309)	206
Pre-formation tax losses	4,271	-	4,271	393	4,664
Total Deferred Tax Asset	12,311	(1,342)	10,969	(1,712)	9,257
Deferred Tax Liability					
Customer contract	(2,996)	-	(2,996)	907	(2,089)
Other intangible assets	(76)	-	(76)	35	(41)
Work in progress	(89)	-	(89)	48	(41)
Total Deferred Tax Liability	(3,161)	-	(3,161)	990	(2,171)
Total	**9,150**	**(1,342)**	**7,808**	**(722)**	**7,086**

8. TRADE AND OTHER RECEIVABLES (CURRENT)

	Consolidated	
	2019 $'000	**2018 $'000**
Trade receivables	9,926	9,992
Less provision for impairment of receivables	(74)	(174)
	9,852	**9,818**

Trade and Other Receivables

Trade and other receivables are recognised and carried at original invoice amount less an allowance for any uncollectible debts and in the majority of cases have repayment terms between 14 and 30 days. Collectability of receivables is reviewed on an ongoing basis. Debts which are known to be uncollectible are written off. A provision for doubtful receivables is established when there is objective evidence that the Company will not be able to collect all amounts due according to the original terms of receivables.

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9. TRADE AND OTHER RECEIVABLES (CURRENT)(CONTINUED)

Provision for impairment of receivables

The Company has adopted AASB 9 Financial Instruments from 1 July 2018. AASB 9 largely retains the existing requirements of AASB 139 for the classification and measurement of financial liabilities, however, it eliminates the previous AASB 139 categories for financial assets held to maturity, receivables and available for sale.

As at 30 June 2019, the Company's financial instruments consist of cash and cash equivalents, trade and other receivables, trade and other payables and borrowings.

Cash and cash equivalents and trade and other receivables previously designated as loans and receivables under AASB 139 are now classified as amortised cost under AASB 9. The trade and other payables and borrowings are designated as other financial liabilities, which are also measured at amortised cost.

In addition, there are new impairment requirements for financial assets held at amortised cost which use an 'expected credit loss' ('ECL') model to recognize an allowance. Impairment is measured using a 12-month ECL method unless the credit risk on a financial asset has increased significantly since recognition in which case the lifetime ECL method is adopted. The Company has adopted a simplified approach for trade receivables with an amount equal to the full expected credit losses to be recognised. The expected loss rates are based on the Company's movement of balances from one ageing category to the next to indicate increase in collection time which is an indicator of the probability of default. These loss rates are then applied to the individual ageing categories to calculate an expected credit loss. The adoption of AASB 9 did not have any significant impact on the financial performance or position of the Company as at 30 June 2019 or on retained earnings as at 30 June 2019.

As at 30 June 2019 the Company has recognised a decrease in the provision by $100,000 (2018: zero) in profit or loss in respect of impairment of receivables for the year ended 30 June 2019.

Aged analysis of trade receivables that are past due but not impaired at the reporting date

	Consolidated					
	2019			2018		
	Total $'000	Amount Impaired $'000	Amount not Impaired $'000	Total $'000	Amount Impaired $'000	Amount not Impaired $'000
Not Past due	8,644	-	8,644	9,042	-	9,042
Past due > 30 days	1,013	-	1,013	668	-	668
Past due > 60 days	136	-	136	147	(39)	108
Past due > 90 days	133	(74)	60	135	(135)	-
Total	**9,926**	**(74)**	**9,852**	**9,992**	**(174)**	**9,818**

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

10. PROPERTY, PLANT AND EQUIPMENT

	Consolidated	
	2019 $'000	**2018 $'000**
Plant and equipment at cost	7,417	7,132
Less accumulated depreciation	(6,608)	(5,886)
	809	**1,246**
Leasehold improvements at cost	9,355	9,376
Less accumulated depreciation	(6,485)	(6,288)
	2,870	**3,088**
Make good assets at cost	1,796	2,272
Less accumulated depreciation	(1,640)	(2,076)
	156	**196**
Total written down value	**3,835**	**4,530**

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

10. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Movements in Carrying Amounts

Movement in the carrying amounts for each class of plant and equipment between the beginning and the end of the current financial year.

	Consolidated	
	2019 $'000	2018 $'000
Plant and equipment		
Carrying amount at beginning of the year	1,246	687
Additions	350	232
Disposals	(32)	(44)
Acquisitions through Business Combinations	-	1,069
Depreciation	(755)	(698)
Carrying amount at end of the year	**809**	**1,246**
Leasehold Improvement		
Carrying amount at beginning of the year	3,088	582
Acquisitions through Business Combinations	-	1,913
Additions	966	1,467
Disposals	(119)	(144)
Depreciation	(1,065)	(730)
Carrying amount at end of the year	**2,870**	**3,088**
Make good assets		
Carrying amount at beginning of the year	196	-
Acquisitions through Business Combinations	0	656
Additions	167	91
Disposals	(78)	
Depreciation	(129)	(551)
Carrying amount at end of the year	**156**	**196**

Plant and Equipment

Property, plant and equipment is stated at historical cost less accumulated depreciation or amortisation. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that the future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. All other repairs and maintenance are charged to profit or loss during the financial period in which they are incurred.

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

10. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Depreciation

All assets are depreciated using the straight-line method over their estimated useful lives and are depreciated from the date of acquisition. The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposal are determined by comparing disposal proceeds with the carrying amount. These are included in profit or loss.

The depreciation rates used for each class of asset are as follows:

	2019
Plant and equipment	10% to 50%
Leasehold improvements	14% to 33%
Make good assets	14% to 33%

Estimation of useful lives of assets

The Company determines the estimated useful lives and related depreciation and amortisation charges for its property, plant and equipment and finite life intangible assets. The useful lives could change significantly as a result of technical innovations or some other event. The depreciation and amortisation charge will increase where the useful lives are less than previously estimated lives, or technically obsolete or non-strategic assets that have been abandoned or sold will be written off or written down.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

11. INTANGIBLE ASSETS

	Consolidated	
	2019 $'000	2018 Restated $'000
Goodwill		
At cost	48,353	47,891
Accumulated impairment	(14,128)	(14,127)
Carrying amount at the end of the year	**34,225**	**33,764**
Trademark**		
At cost	**27**	**27**
Customer Relationships		
At cost	391	391
Accumulated amortisation	(350)	(234)
Carrying amount at the end of the year	**41**	**157**
Customer Contract		
At cost	9,988	9,988
Accumulated amortisation	(5,797)	(2,724)
Carrying amount at the end of the year	**4,191**	**7,264**
Software Development*		
At cost	5,791	3,840
Accumulated amortisation	(3,064)	(1,542)
Carrying amount at the end of the year	**2,727**	**2,298**
Software		
At cost	3,118	3,200
Accumulated amortisation	(2,743)	(2,000)
Carrying amount at the end of the year	**375**	**1,200**
Licence		
At cost	181	181
Accumulated amortisation	(181)	(166)
Carrying amount at the end of the year	-	**15**
	41,586	**44,725**

* *Software development relates to internal costs incurred on products and related systems development. These assets are amortised over the expected life of the product, which is typically 3 years.*

** *The Trade Mark relates to the Konektiva trade name registration.*

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

11. INTANGIBLE ASSETS (CONTINUED)

Goodwill

Goodwill has an indefinite useful life, is not amortised, and is initially recorded at the amount by which the purchase price exceeds the fair value attributed to the net assets acquired and contingent liabilities at date of acquisition. Goodwill on acquisition of subsidiaries is included in intangible assets.

Goodwill is tested annually for impairment or more frequently if events or changes in circumstances indicate that it might be impaired and is carried at cost less accumulated impairment losses. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Goodwill acquired is allocated to each of the cash generating units expected to benefit from the combination's synergies. Impairment is determined by assessing the recoverable amount of the cash generating unit to which the goodwill relates. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. Impairment losses or goodwill cannot be reversed.

Trademarks

Trademarks are considered to have an indefinite useful life and are not amortised. As such they are tested annually for impairment and are carried at cost less any impairment losses.

Customer Relationships

Customer relationships are recognised at fair value in connection with the acquisitions. The values of these relationships are amortised over the estimated useful lives, between 3 and 5 years, using the straight-line method.

Customer Contract

Customer contract relates to Federal Government job active contract which is the main customer and main source of generating business income of Konekt Employment (previously Mission Providence). The customer contract value resulted from the acquisition of Konekt Employment (previously Mission Providence) on 29 September 2017, was valued based on the discounted cash-flow method and is amortised over the estimated useful live, over 57 months, using the straight-line method. In 2019, the estimated useful live of the contract was increased from 33 months to 57 months to align the amortization period to the extended end date of the job active contract of 30 June 2022.

IT development and software

Costs incurred in developing products or systems and costs incurred in acquiring software and licenses that will contribute to future financial year benefits through revenue generation and/or cost reduction are capitalised to software and systems. Costs capitalised include external direct costs of materials, and directly attributable employee costs, with amortisation calculated on a straight line-basis over 3 years. IT development and software costs include only those costs directly attributable to the development phase and are only recognised following completion of technical feasibility and where the Company has an intention and ability to use the asset.

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

11. INTANGIBLE ASSETS (CONTINUED)

	Consolidated	
	2019 $'000	2018 Restated $'000
Reconciliation - Goodwill		
Carrying amount at the beginning of the year	33,764	11,541
Acquisitions through Business Combinations	461	21,610
Carrying amount at the end of the year as originally presented	**34,225**	**33,151**
Prior period adjustment (refer note 4)	-	**613**
Carrying amount at the end of the year	**34,225**	**33,764**
Reconciliation – Trademark		
Carrying amount at the beginning of the year	27	27
Amortisation	-	-
Carrying amount at the end of the year	**27**	**27**
Reconciliation – Customer relationships		
Carrying amount at the beginning of the year	157	254
Amortisation	(116)	(97)
Carrying amount at the end of the year	**41**	**157**
Reconciliation – Customer contract		
Carrying amount at the beginning of the year	7,264	-
Acquisitions through Business Combinations	-	9,988
Amortisation	(3,073)	(2,724)
Carrying amount at the end of the year	**4,191**	**7,264**
Reconciliation – Software Development		
Carrying amount at the beginning of the year	2,298	843
Additions	1,951	1,922
Amortisation	(1,522)	(467)
Carrying amount at the end of the year	**2,727**	**2,298**
Reconciliation – Software		
Carrying amount at the beginning of the year	1,200	24
Acquisitions through Business Combinations	-	1,708
Disposals	(19)	-
Amortisation	(658)	(532)
Reclassification	(148)	-
Carrying amount at the end of the year	**375**	**1,200**
Reconciliation – Licence		
Carrying amount at the beginning of the year	15	-
Acquisitions through Business Combinations	-	45
Amortisation	(15)	(30)
Carrying amount at the end of the year	-	**15**

11. INTANGIBLE ASSETS (CONTINUED)

Goodwill and other indefinite life intangible assets

Goodwill is allocated to the overall Company (representing a single group of cash generating units ("CGU")) as the Company operates on a national basis and maintaining a national footprint is essential to attracting and retaining major customers.

The recoverable amount of a CGU is based on value-in-use calculations which use cash flow projections based on budgets approved by management covering a 5-year period.

The growth rate used in these budgets does not exceed the long-term average growth rate for the business in which the CGU operates.

Key assumptions used for value-in-use calculations are as follows:

- the discount rate used is 15% pre-tax (2018: 15%);
- forecasts are performed taking into consideration trading outlook and future growth prospects for the Company with revenues reducing by 9% in FY2020 and subsequently rising at an average of 5% per annum over the next four years;
- operating costs reducing by 9% in FY2020 and subsequently rising at an average of 3% per annum over the next four years; and
- terminal value calculation includes 0% growth.

Key assumptions are based on management budgets, past performance and expectations for the future. Should these assumptions prove to be incorrect and/or should there be unfavourable/favourable variances in actual results as compared to budgeted, an impairment write-down or write-back in relation to goodwill may be required in future periods.

Sensitivity

The Directors have made judgements and estimates in respect of impairment testing of goodwill. Should these judgements and estimates not occur the resulting goodwill may vary in the carrying amount. The sensitivities are as follows:

- Revenue would need to decrease by more than 3.60% per year below forecasted growth before goodwill would need to be impaired, with all other assumptions remaining constant; and
- The discount rate would be required to increase to more than 9.1% for the Company before goodwill would need to be impaired, with all other assumptions remaining constant.

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

12. TRADE AND OTHER PAYABLES

	Consolidated	
	2019 $'000	2018 Restated $'000
CURRENT		
Trade payables	2,016	2,464
Leasehold incentives	80	48
Other payables and accruals	6,302	8,664
Restated balance	**8,398**	**11,176**
NON-CURRENT		
Leasehold incentives	70	36
	70	**36**

Liabilities for trade creditors and other payables are carried at cost. This represents the fair value of goods and services received prior to the end of the financial year which are unpaid. The amounts are unsecured and are usually paid within 30 days of recognition.

13. EMPLOYEE BENEFITS

	Consolidated	
	2019 $'000	2018 $'000
CURRENT		
Annual Leave	2,844	3,243
Long Service Leave	1,348	1,550
	4,192	**4,793**
NON-CURRENT		
Long Service Leave	674	728
	674	**728**

Short-term employee benefits

Liabilities for wages and salaries, including non-monetary benefits, annual leave and long service leave expected to be settled within 12 months of the reporting date are recognised in current liabilities in respect of employees' services up to the reporting date and are measured at the amounts expected to be paid when the liabilities are settled.

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

13. EMPLOYEE BENEFITS (CONTINUED)

Other long-term employee benefits

The liability for annual leave and long service leave not expected to be settled within 12 months of the reporting date are recognised in non-current liabilities, provided there is an unconditional right to defer settlement of the liability.

The liability is measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date using the projected unit credit method. Consideration is given to be expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the reporting date on corporate bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

14. PROVISIONS

	Consolidated	
	2019 $'000	2018 $'000
CURRENT		
Lease make good	681	1,773
	681	**1,773**
NON-CURRENT		
Lease make good	472	472
	472	**472**

Provisions

Provisions are recognised when the Company has a present legal or constructive obligation, as a result of past events, for which it is probable that an outflow of economic benefits will result, and that outflow can be reliably measured.

	Consolidated	
	2019	2018
	Make Good Provision	Make Good Provision
	$'000	$'000
Carrying amount at start of year	2,245	136
Acquired through business combination	0	2,355
Additional provision charged to plant and equipment	167	91
Amounts used during the year	(397)	(397)
Charged/(credited) to profit or loss		
- additional provisions recognised	51	18
- unused amounts reversed	(963)	0
- unwinding of discount	50	42
Carrying amount at end of year	**1,153**	**2,245**

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

15. BORROWINGS

	Consolidated 2019 $'000	Consolidated 2018 $'000
CURRENT – secured		
Bank loan	4,000	3,992
Lease liability	400	1,022
Bank overdrafts	256	-
	4,656	**5,014**
NON-CURRENT – secured		
Bank loan	8,683	11,576
Lease liability	-	402
	8,683	**11,978**
Bank loans comprise of:		
Borrowing from CBA to fund acquisition and deferred consideration payments	12,683	15,568

	Consolidated 2019 $'000	Consolidated 2018 Restated $'000
(a) The carrying amounts of assets pledged as security are:		
Floating charge over assets, including investments (Total Assets of the business)	**63,372**	**73,355**
(b) Refer to Note 29 for details of banking facilities and post balance date refinancing		

All loans and borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in profit and loss over the period of the loans and borrowings using the effective interest method.

All borrowings are classified as current liabilities unless the Company has an unconditional right to defer settlement of the liability for at least 12 months after the end of the reporting period.

On 20 August 2019 Konekt Limited announced that it had refinanced its debt with the Commonwealth Bank of Australia replacing the CBA acquisition finance facility put in place in September 2017. Under the amended facility agreement principal repayments will reduce from $1.0m per quarter to $500,000 per quarter. The drawn balance of the facility at 30 June 2019 was $12.7m. As at the date of signing the accounts the current portion of the debt is $2.0m (30 June 2019: $4.0m) and non-current $10.7 (30 June 2019: $8.7m).

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

16. CONTRIBUTED EQUITY

a) Issued and paid up capital

	Consolidated	
	2019 $'000	2018 $'000
Ordinary shares	**53,420**	**53,334**

The number of fully paid ordinary shares in issue at year end is 105,786,835 (2018: 105,336,835). All shares rank equally.

b) Movements in shares on issue

	Consolidated			
	2019		2018	
	Number of Shares	$'000	Number of Shares	$'000
Balance at 1 July 2018	105,336,835	53,334	72,905,581	38,580
Issue of New Shares	450,000	86	33,181,254	15,771
Share Issue costs (net of Tax benefit)	-	-	-	(780)
Share buyback	-	-	(750,000)	(237)
Balance at 30 June 2019	**105,786,835**	**53,420**	**105,336,835**	**53,334**

Share buyback

In November 2018, shareholder approval was granted at the AGM to buy back up to 19.7 million shares (being 20% of the lowest number of shares on issues in the prior 12 months) for a period of 12 months from approval. During the year the nil shares were brought back.

c) Capital risk management

The Company considers its capital to comprise its ordinary share capital and accumulated retained earnings/(losses).

In managing its capital, the Company's primary objective is to ensure its continued ability to provide a consistent return for its equity shareholders through a combination of capital growth and distributions through the payment of dividends to shareholders.

In order to achieve this objective, the Company seeks to maintain a gearing ratio that balances risks and returns at an acceptable level and also to maintain a sufficient funding base to enable the Company to meet its working capital and strategic investment needs. In making decisions to adjust its capital structure to achieve these aims, either through altering its dividend policy, new share issues, or the reduction of debt, the Company considers not only its short-term position but also its long-term operational and strategic objectives.

There have been no significant changes to the Company's capital management objectives, policies and processes in the year nor has there been any change in what the Company considers to be its capital.

16. CONTRIBUTED EQUITY (CONTINUED)

c) Capital risk management (continued)

	Consolidated	
	2019 $'000	2018 Restated $'000
Gearing ratios		
Debt	13,339	16,992
Total equity	30,495	30,675
Gearing Ratio	43.7%	55.4%

d) Share based options and performance rights

(i) Performance rights

During the year 968,289 (FY18: 678,479) Performance Rights were granted to the Managing Director and certain senior executives as long term incentives under the Konekt Performance Rights and Options Plan. There remain 874,826 (FY18: 578,097) Performance rights on issue at year-end.

The Managing Director was issued with 129,346 (FY18: 86,042) Performance Rights, approved by shareholders at the AGM on 2 November 2018. The following terms apply to the issue of the Performance Rights:

- Grant date: 19 September 2018 (Senior Executives)
- Grant date: 02 November 2018 (Managing Director)
- Performance period: 1 July 2018 to 30 June 2021
- Vesting Date: The date of the notice that may be provided to a Participant to advise that Rights have vested. Such a notice may be issued to the Participant following the elapsing of the Performance Period and the Board's assessment of the extent to which any Exercise Conditions were met. If no Rights vest, then there is no First Exercise Date.
- Issue price: $Nil
- Exercise price: $Nil
- Fair Value: $0.2822 (19 September 2018) and $0.2734 (2 November 2018)
- Service Condition: : Continuous employment with Konekt Limited up to and including 30 June 2021 for 100% of the Rights to vest (subject to satisfaction of the performance condition at the termination date); or if the cessation of employment of the Participant is classified as Good Leaver as defined in Rules of the Plan, any grant that was made during the year of the termination will be forfeited in the proportion that the remainder of the financial year bears to the full financial year, as at the date of the termination. All remaining unvested Rights will be subject to Board discretion regarding the extent of vesting, if any.

The vesting of Rights will be subject to Konekt achieving the earnings per share before amortization ("EPSA") Target below

16. CONTRIBUTED EQUITY (CONTINUED)

d) Share based options and performance right (continued)

September 2018 Invitation: Performance Level	EPSA* Compound Annual Growth Rate (CAGR)	% of Stretch /Maximum/Grant Vesting
Target	12%	100%
Between Threshold and Target	>8%, <12%	Pro-rata
Threshold	8%	50%
Below Threshold	<8%	0%

*EPSA is defined as Earnings per share before amortisation (EPSA) and is calculated as the Company's Net Profit after Tax before Amortisation (NPATA) divided by the average number of shares on issue during the financial year, or in accordance with a policy developed by the Board. EPSAG is calculated as the annualised growth in EPSA by comparing the EPSA at the end of the Performance Period to the EPSA achieved in the year prior to the start of the Performance Period, as follows: (EPSA End ÷ EPSA Start) ^1/(years in Performance Period)-1.

(ii) Options

There were no new options issued during the year. There remain 960,000 (FY18: 1,610,000) options on issue at year-end.

Details of the movement in the share based payments reserve are provided below:

	Consolidated	
	2019 $'000	2018 $'000
Share-based payments reserve		
Opening balance of reserve	553	394
Share based payments expense	207	159
Closing balance of reserve	**760**	**553**

Share-based payment transactions

The Company measures the cost of Share-based compensation benefits with employees by reference to fair value determined by using either the Binomial or Black-Scholes model considering the terms and conditions upon which the instruments were granted. In FY19 there was an adjustment due to cancellation of Options of Senior Executives which reduced the annual share based payments expense.

For Options exercised during the year the weighted average share price paid was $0.192 (2018: $0.092).

This reserve is used to record the value of equity benefits provided to the employees as a part of their compensation. Details of options and performance rights outstanding as part of the Konekt Performance Rights and Options Plan during the financial year is as follows:

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

16. CONTRIBUTED EQUITY (CONTINUED)

d) Share based options and performance right (continued)

(ii) Options (continued)

Consolidated FY19

Grant Date	Vesting Date	Expiry Date	Applicable exercise price	Balance at beginning of year	Granted during the year	Exercised during the year	(Lapsed) during the year	Balance at end of the year	Fair Value
Options				**Number**	**Number**	**Number**	**Number**	**Number**	**$**
18.11.2015	01.09.2018	28.02.2019	$0.20	650,000	-	(450,000)	(200,000)	-	-
12.08.2016	01.09.2019	28.02.2020	$0.37	680,000	-	-	-	680,000	153,136
15.11.2016	01.09.2019	28.02.2020	$0.37	280,000	-	-	-	280,000	71,064
				1,610,000	**-**	**(450,000)**	**(200,000)**	**960,000**	**224,200**
Performance Rights				**Number**	**Number**	**Number**	**Number**	**Number**	**$**
10.10.2017	30.06.2020		$0.00	446,166	-	-	(175,525)	270,641	129,799
16.11.2017	30.06.2020		$0.00	131,931	-	-	-	131,931	66,005
19.09.2018	30.06.2021		$0.00	-	838,943	-	(93,463)	745,480	210,374
02.11.2018	30.06.2021		$0.00	-	129,346	-	-	129,346	35,363
				578,097	**968,289**	**-**	**(268,988)**	**1,277,398**	**441,542**

Grant Date	Share Price at Grant Date	Expected Volatility	Risk Free Interest Rate	Expected Vesting	Fair Value at Grant Date
19.09.2018	$0.31	78.84%	2.76%	100.00%	$0.28
02.11.2018	$0.30	78.84%	2.76%	100.00%	$0.27

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

16. CONTRIBUTED EQUITY (CONTINUED)

Consolidated FY18

Grant Date	Vesting Date	Expiry Date	Applicable exercise price	Balance at beginning of year	Granted during the year	Exercised during the year	(Lapsed) during the year	Balance at end of the year	Fair Value
Options				**Number**	**Number**	**Number**	**Number**	**Number**	**$**
24.11.2014	01.12.2017	31.05.2018	$0.10	400,000	-	(400,000)	-	-	-
18.11.2015	01.09.2018	28.02.2019	$0.20	650,000	-	-	-	650,000	40,950
12.08.2016	01.09.2019	28.02.2020	$0.37	1,000,000	-	-	(320,000)	680,000	153,136
15.11.2016	01.09.2019	28.02.2020	$0.37	280,000	-	-	-	280,000	71,064
				2,330,000	**-**	**(400,000)**	**(320,000)**	**1,610,000**	**265,150**
Performance Rights				**Number**	**Number**	**Number**	**Number**	**Number**	**$**
10.10.2017	30.06.2020		$0.00	-	546,548	-	(100,382)	446,166	223,217
16.11.2017	30.06.2020		$0.00	-	131,931	-	-	131,931	66,005
				-	**678,479**	**-**	**(100,382)**	**578,097**	**289,222**

Grant Date	Share Price at Grant Date	Expected Volatility	Risk Free Interest Rate	Expected Vesting	Fair Value at Grant Date
10.10.2017	$0.50	42.27%	2.60%	67.90%	$0.48
16.11.2017	$0.52	42.27%	2.60%	67.90%	$0.50

e) Obligations to issue ordinary shares

There are no obligations to issue ordinary shares.

f) Restricted securities

There are no restricted securities at the date of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

17. CAPITAL AND LEASING COMMITMENTS

Non-cancellable operating lease commitments

Future operating leases contracted for but not capitalised in the financial statements and payable:

	Consolidated							
	2019				2018			
	Equipment $'000	Motor Vehicle $'000	Property $'000	Total $'000	Equipment $'000	Motor Vehicle $'000	Property $'000	Total $'000
Due within 1 year	111	116	6,638	6,865	128	437	7,666	8,231
Due later than 1 year but less than 5 Year	48	907	6,019	6,974	156	128	9,028	9,312
Due later than 5 Years	-	-	519	519	-	-	106	106
Total	**159**	**1,023**	**13,176**	**14,358**	**284**	**565**	**16,800**	**17,649**

The Company leases property, photocopiers, computers and motor vehicles under non-cancellable operating leases expiring from one to five years. Leases generally provide the Company with a right of renewal at which time all terms are renegotiated.

	Consolidated	
	2019	2018
	$'000	$'000
Payments under operating leases in Profit and Loss		
Motor vehicle leases	649	659
Equipment	166	164
Property leases	7,885	8,167
Total	**8,700**	**8,990**

Leases

Leases are classified at their inception as either operating or finance leases based on the substance of the agreement so as to reflect the risks and benefits incidental to ownership.

Operating leases

The minimum lease payments of operating leases, where the lessor effectively retains substantially all of the risks and benefits of ownership of the leased item, are recognised as an expense on a straight line basis.

Contingent rentals are recognised as an expense in the financial year in which they are incurred. Provisions are made for onerous leases where property has been vacated and there is no foreseeable subletting likely under the lease because of vacancy rates within the area or building.

The cost of improvements to or on leasehold assets is capitalised, disclosed as leasehold improvements, and amortised over the unexpired period of the lease or the estimated useful lives of the improvements, whichever is the shorter.

Lease incentives under operating leases are recognised as a liability and amortised on a straight-line basis over the lease term.

17. CAPITAL AND LEASING COMMITMENTS (CONTINUED)

Finance leases

Capitalised leased assets are amortised over the shorter of the estimated useful life of the assets and the lease term. Minimum lease payments are allocated between interest expense and reduction of the lease liability with the interest expense calculated using the interest rate implicit in the lease and charged directly to profit and loss.

18. DEFERRED CONSIDERATION PAYABLE

Konekt Ltd recognises the fair value of deferred considerations for acquisitions, as of their respective acquisition dates as part of the consideration transferred in exchange for the acquired businesses. These fair value measurements require, among other things, significant estimation of post-acquisition financial performance of the acquired businesses. These calculations use cash flow projections for post-acquisition performance.

Any projected earn out payments are discounted to present value, using a discount rate deemed appropriate by Konekt Ltd to account for the time value of money in addition to the inherent risk in the earn out calculation projection. The discount rate used is 15% pre-tax (2018: 15%).

Contingent consideration classified as a liability (categorised as a level 3 on the fair value hierarchy) is remeasured in each reporting period to fair value, recognising any change to fair value in profit or loss, unless the change in value can be identified as existing at acquisition date.

During the period the deferred consideration was remeasured and reduced by $40,954 (2017: $160,437) and resulted in an adjustment in the Statement of profit or loss and other comprehensive income.

	Consolidated			
	2019		2018	
	Purchase Consideration Payable for Acquisitions	Others	Purchase Consideration Payable for Acquisitions	Others
	$'000	$'000	$'000	$'000
Carrying amount at the beginning of the year	1,349	-	2,584	-
Additions	-	-	-	-
Settlement	(1,339)	-	(1,256)	-
Remeasurement of contingent payable	(41)	-	(160)	-
Interest unwind	31	-	181	-
Carrying amount at end of the year	**-**	**-**	**1,349**	**-**
Total gain for the year included in profit or loss	**41**	**-**	**160**	**-**

19. CONTINGENT LIABILITIES

As at 30 June 2019 Konekt had issued bank guarantees to the value of $1,002,355 (2018: $930,583) primarily relating to property leases.

The Directors are not aware of any other contingent liabilities as at 30 June 2019.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

20. KEY MANAGEMENT PERSONNEL DISCLOSURES

a) Remuneration of Parent Entity Directors and Key Management Personnel ('KMP')

	Consolidated	
	2019 $	2018 $
Short-term employee benefits	711,962	836,096
Cash bonus	-	251,000
Non-monetary benefits	-	-
Post-employment benefits	63,592	68,876
Long-term benefits	11,790	16,831
Termination benefits	-	-
Share-based payments	75,139	67,464
	862,483	**1,240,267**

KMP remuneration has been included in the Remuneration Report section of the Directors Report.

b) Services

There are no other services provided by Directors or KMP other than for their remuneration.

21. REMUNERATION OF AUDITORS

	Consolidated	
	2019 $	2018 $
Amounts paid/payable to BDO East Coast Partnership for audit or review of the financial statements for the Company	136,000	168,000
Tax and accounting advisory services	-	-

22. SEGMENT REPORTING

The Company has adopted AASB 8 Operating Segments from 1 July 2009 whereby segment information is presented using a 'management approach', i.e. segment information is provided on the same basis as information used for internal reporting purposes by the Chief Executive Officer. This has not resulted in an increase in the number of reportable segments as it is still considered that there is only one operating and reporting segment in the Company which is Employment, Work and Workplace Services.

Revenues of $50.6m (2018: $40.7m) and $9.7m (2018: $12.6m) are derived from two single customers of the Company. Each of these separate revenues amounts to more than 10% of the Company's revenues from external customers.

The Group Chief Executive Officer reviews the performance of segments before aggregation based on Net Profit Before Tax. This performance measure is equal to profit before income tax expense as disclosed in the consolidated statement of profit or loss and other comprehensive income.

23. SUBSIDIARIES

a) Subsidiaries

		2019	2018
	Country of Incorporation	Percentage owned (%)	Percentage owned (%)
Parent Entity:			
Konekt Limited	Australia	-	-
Subsidiaries of Konekt Limited:			
Konekt International Pty Ltd	Australia	100%	100%
Konekt Australia Pty Ltd	Australia	100%	100%
Konektiva Pty Ltd	Australia	100%	100%
Konekt Workplace Health Solutions Pty Ltd	Australia	100%	100%
Innovative Training & Recruitment Pty Ltd	Australia	100%	100%
Busiflow Nominees Pty Ltd	Australia	100%	100%
SRC Solutions Pty Ltd	Australia	100%	100%
Communicorp Group Pty Ltd	Australia	100%	100%
Konekt Employment Pty Ltd (previously Mission Providence Pty Ltd)	Australia	100%	100%

The proportion of the voting interest is equal to the proportion of voting power held.

b) Deed of Cross Guarantee

A new deed of cross-guarantee was enacted during 2017 between the Group Entities listed in note 22 (a) and relief was obtained from preparing financial statements for the subsidiaries of Konekt Limited. Under the deed, Konekt Limited guarantees to support the liabilities and obligations of the subsidiaries and vice-versa.

24. FINANCIAL INSTRUMENTS DISCLOSURE

In common with all other businesses, the Company is exposed to risks that arise from its use of financial instruments. This note describes the Company's objectives, policies and processes for managing those risks and the methods used to measure them. Further quantitative information in respect of these risks is presented throughout these financial statements.

Off balance sheet derivative instruments

The Company does not have any such instruments in place.

a) Credit risk exposure

Credit risk is the risk that counter parties to a financial asset will fail to discharge their obligations, causing the Company to incur a financial loss. The entity has no significant concentration of credit risk to a group of debtors or a single debtor. The Company is only exposed to risk in the health services sector and to risk in the Australian Government. The maximum exposure to credit risk is that of the year-end trade receivables, cash and other debtor's balances.

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

24. FINANCIAL INSTRUMENTS DISCLOSURE (CONTINUED)

b) Fair values

The Directors are satisfied that the carrying values of the financial assets and liabilities are the equivalent of the fair value of those items.

c) Interest rate risk exposure

The Company's exposure to interest rate risk, which is the risk that a financial instrument's value will fluctuate as a result of changes in market interest rates and the effective weighted average interest rates on classes of financial assets and financial liabilities, is as follows:

30 June 2019	Weighted average interest rate	Floating interest rate $'000	Fixed interest rate maturing in less than 1 year $'000	Fixed interest rate maturing in 1 – 5 years $'000	Non-interest bearing $'000	Total $'000
Financial Assets						
Cash and cash equivalents		-	-	-	-	-
Trade and other receivables		-	-	-	9,852	9,852
Total Financial Assets		-	-	-	9,852	9,852
Financial Liabilities						
Borrowings	5.31%	12,939	400	-	-	13,339
Deferred consideration		-	-	-	-	-
Trade and other payables		-	-	-	8,468	8,468
Total Financial Liabilities		12,939	400	-	8,468	21,807
Net Financial (Liabilities)/ Assets		(12,939)	(400)	-	1,384	(11,955)

30 June 2018 Restated	Weighted average interest rate	Floating interest rate $'000	Fixed interest rate maturing in less than 1 year $'000	Fixed interest rate maturing in 1 – 5 years $'000	Non-interest bearing $'000	Total $'000
Financial Assets						
Cash and cash equivalents	0.68%	5,661	-	-	-	5,661
Trade and other receivables		-	-	-	9,818	9,818
Total Financial Assets		**5,661**	**-**	**-**	**9,818**	**15,479**
Financial Liabilities						
Borrowings	5.06%	-	5,014	11,978	-	16,992
Deferred consideration		-	-	-	1,349	1,349
Trade and other payables		-	-	-	11,212	11,212
Total Financial Liabilities		**-**	**5,014**	**11,978**	**12,561**	**29,553**
Net Financial (Liabilities)/ Assets		5,661	(5,014)	(11,978)	(2,742)	(14,074)

No financial assets or liabilities are readily tradable on organised markets.

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

24. FINANCIAL INSTRUMENTS DISCLOSURE (CONTINUED)

Sensitivity Analysis

For each 1% increase in interest rates, Company profit before income tax expense will decrease by $130,854 (2018 decrease by $99,238). Correspondingly, for each 1% fall in interest rates Company profit before tax will increase by $130,854 (2018 increase by $99,238).

d) Liquidity Risk

Cash and Other loans are concentrated with one lender being the Commonwealth Bank of Australia.

Maturity Analysis – 2019	Carrying Amount $'000	Contractual cashflows $'000	< 6 months $'000	6 – 12 months $'000	1-3 Years $'000	> 3 Years $'000
Financial Assets						
Cash and cash equivalents	-	-	-	-	-	-
Trade Receivables	9,852	9,852	9,852	-	-	-
Total Financial Assets	**9,852**	**9,852**	**9,852**	-	-	-
Financial Liabilities						
Deferred consideration	-	-	-	-	-	-
Lease liabilities	400	400	-	-	-	-
Bank loan	12,683	12,683	2,000	2,000	8,683	-
Trade and other payables	8,468	8,468	8,468	-	-	-
Total Financial Liabilities	**21,551**	**21,551**	**10,468**	**2,000**	**8,683**	**-**

e) Liquidity Risk (continued)

Maturity Analysis – 2018 Restated	Carrying Amount $'000	Contractual cashflows $'000	< 6 months $'000	6 – 12 months $'000	1-3 Years $'000	> 3 Years $'000
Financial Assets						
Cash and cash equivalents	5,661	5,661	5,661	-	-	-
Trade Receivables	9,818	9,818	9,818	-	6	-
Total Financial Assets	**15,479**	**15,479**	**15,479**	**-**	**6**	**-**
Financial Liabilities						
Deferred consideration	1,349	1,376	1,376	-	-	-
Lease liabilities	1,407	1,400	532	465	402	-
Bank loan	15,585	15,568	-	3,992	11,576	-
Trade and other payables	11,212	11,212	11,212	-	-	-
Total Financial Liabilities	**29,553**	**29,556**	**13,120**	**4,457**	**11,978**	**-**

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

24. FINANCIAL INSTRUMENTS DISCLOSURE (CONTINUED)

e) Risk management policies and objectives

Activities undertaken by Konekt Limited and its subsidiaries may expose the Company to risk. The Company has no market risk as it is not exposed to foreign exchange risk or price risk. Liquidity risk is managed by the Board requiring the Company to maintain adequate committed credit facilities.

The Company does not have a policy for managing interest rate risk because interest is a relatively insignificant cost.

Credit risk arises from cash or cash equivalents and deposits with banks as well as credit exposures to customers, including outstanding receivables and committed transactions. Credit checks are done on new customers. The majority of existing customers are the Australian Government, very large insurance companies and large corporates. Follow-up on overdue accounts is performed by the Company if amounts exceed 90 days past due.

25. FAIR VALUE MEASUREMENTS

a) Valuation technique

In the absence of an active market for an identical asset or liability, the Company selects and uses one of more valuation technique to measure the fair value of the asset or liability. The Company selects a valuation technique that is appropriate in the circumstances and for which sufficient data is available to measure fair value. The availability of sufficient and relevant data primarily depends on the specific characteristics of the asset or liability being measured. The valuation techniques selected by the Company are consistent with one or more of the following valuation approaches:

- Level 1: Market approach uses prices and other relevant information generated by market transactions for identical or similar assets or liabilities.
- Level 2: Income approach converts estimated future cash flows or income and expenses into a single discounted present value.
- Level 3: Cost approach reflects the current replacement cost of an asset at its current service capacity.

Each valuation technique requires inputs that reflect the assumptions that buyers and sellers would use when pricing the asset or liability, including assumptions about risks. When selecting a valuation technique, the Company gives priority to those techniques that maximise the use of observable inputs and minimise the use of unobservable inputs. Inputs that are developed using market data (such as publicly available information on actual transactions) and reflect the assumptions that buyers and sellers would generally use when pricing the asset or liability are considered observable, whereas inputs for which market data is not available and therefore are developed using the best information available about such assumptions are considered unobservable.

b) Financial instruments

The following table shows the assets and liabilities recognised at fair value in the financial statements.

	Level of Fair value Hierarchy	30/06/2019 $'000	30/06/2018 $'000
Financial liabilities Fair Value:			
Deferred consideration payables	Level 3	-	1,349
		-	**1,349**

KONEKT

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

26. CASH FLOW INFORMATION

a) Reconciliation of profit after income tax to net cash from operating activities

	Consolidated	
	2019	2018 Restated
	$'000	$'000
(Loss) / Profit after income tax	**1,625**	**654**
Depreciation and amortisation expense	7,334	6,017
Share based payments expense	208	159
Interest unwind lease liability	(130)	(228)
Remeasurement of contingent payable	(41)	(160)
Deferred Acquisition Interest unwind	31	180
Changes in assets and liabilities		
Movement in trade and other debtors	(48)	1,098
Movement in trade and other payables	(4,437)	(832)
Movement in deferred tax asset	723	(308)
Movement in other assets	201	416
Movement in other provisions	(1,712)	(3,136)
Net cash from operating activities	**3,755**	**3,860**

b) Reconciliation of cash at bank and on hand to net cash per cash flow statement

	Consolidated	
	2019 $'000	2018 $'000
Cash at bank and on hand	-	5,661
	-	**5,661**

Cash at the end of the financial year as shown in the statement of cash flows is reconciled to items in the statement of financial position as follows:

	Consolidated	
	2019 $'000	2018 $'000
Cash at bank and on hand	-	5,661
Bank overdrafts (note 14)	(256)	-
Cash as shown in the statement of cash flows	(256)	5,661

27. FINANCE FACILITIES

	Consolidated	
	2019 $'000	2018 $'000
Credit Standby Arrangements with Banks		
Credit facility	13,283	16,464
Amount utilised	(12,939)	(15,584)
Unused credit facility	344	**880**

Banking Facilities

Finance Facility

On 20 August 2019 Konekt Limited announced that it had refinanced its debt with the Commonwealth Bank of Australia replacing the CBA acquisition facility put in place in September 2017. Under the amended facility agreement principal repayments will reduce from $1.0m per quarter to $500,000 per quarter. The drawn down balance of the facility at 30 June 2019 is $12.7m. As at the date of signing the accounts the current portion of the debt is $2.0m (30 June 2019: $4.0m) and non-current $10.7 (30 June 2019: $8.7m).

Finance will be provided under these facilities provided the Company have not breached any borrowing requirements and the required financial covenants are met during the financial year. The Company has a bank guarantee facility of $1.6m. As at 30 June 2019 Konekt had issued bank guarantees to the value of $1,002,355 primarily relating to property leases.

28. RELATED PARTY TRANSACTIONS

There are no transactions between the Company and related parties.

29. ADDITIONAL FINANCIAL INFORMATION OF THE PARENT ENTITY

	2019 $'000	2018 Restated $'000
Current assets	28,854	32,807
Total assets	31,284	35,238
Current liabilities	5,323	5,328
Total liabilities	**14,006**	**16,923**
Shareholders' equity		
Issued capital	53,421	53,334
Reserves – share option	763	553
Profits Reserve	3,040	3,040
Accumulated losses	(39,946)	(38,613)
Total equity	**17,278**	**18,315**
(Loss) / Profit after income tax expense for the year	(314)	(293)
Total comprehensive income for the year	(314)	(293)

For details of guarantees entered into by the parent entity in relation to debts of subsidiaries refer to note 18. The Parent Entity has no other commitments or contingent liabilities.

KONEKT

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

30. SUBSEQUENT EVENTS

On 9 August Konekt Limited announced that it had exchanged contracts to acquire the Disability Employment Services (DES) business of Artius Pty Ltd (Artius), headquartered in Ipswich, Queensland. The acquired services will be delivered across 5 locations in regional Queensland with contract tenure to 30 June 2023. The proposed acquisition will be funded from cash reserves with a small earn-out based on future performance. It is expected that the acquisition will contribute revenues of $1.1 million to Konekt in FY20 (c.10 months) and be EPSA accretive in the first year.

On 20 August 2019 Konekt Limited announced that it had refinanced its debt with the Commonwealth Bank of Australia replacing the CBA acquisition facility put in place in September 2017. Under the amended facility agreement principal repayments will reduce from $1.0m per quarter to $500,000 per quarter. The drawn down balance of the facility at 30 June 2019 is $12.7m. As at the date of signing the accounts the current portion of the debt is $2.0m (30 June 2019: $4.0m) and non-current $10.7 (30 June 2019: $8.7m).

DECLARATION BY DIRECTORS

The Directors of the Company declare that:

1. the financial statements, comprising the consolidated statement of profit or loss and other comprehensive income, consolidated statement of financial position, consolidated statement of cash flows, consolidated statement of changes in equity and accompanying notes are in accordance with the Corporations Act 2001 and:

2. comply with Accounting Standards and the Corporations Regulations 2001; and

3. give a true and fair view of the Company's financial position as at 30 June 2019 and of its performance for the year ended on that date;

4. in the Directors' opinion, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable;

5. the Directors have been given the declarations by the Group Chief Executive Officer and Group Chief Financial Officer required by section 295A;

6. All group entities are parties to the deed of cross guarantee under which each company guarantees the debtors of the others. At the date of this declaration there are reasonable grounds to believe that the companies which are parties to this deed of cross guarantee will be able to meet any obligations or liabilities to which they are, or may become, subject to, by virtue of the deed of cross guarantee described in note 22 (b); and

7. the Company has included in the notes to the financial statements an explicit and unreserved statement of compliance with International Financial Reporting Standards as issued by the International Accounting Standards Board.

This declaration is made in accordance with a resolution of the Board of Directors and is signed for and on behalf of the Directors by:

Douglas Flynn
Chairman

Damian Banks
Group Chief Executive Officer

22 August 2019, Sydney

BDO

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Level 11, 1 Margaret St
Sydney NSW 2000 Australia

INDEPENDENT AUDITOR'S REPORT

To the members of Konekt Limited

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of Konekt Limited (the Company) and its subsidiaries (the Group), which comprises the statement of financial position as at 30 June 2019, the statement of profit or loss and other comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, and notes to the financial report, including a summary of significant accounting policies and the directors' declaration.

In our opinion the accompanying financial report of the Group, is in accordance with the *Corporations Act 2001*, including:

(i) Giving a true and fair view of the Group's financial position as at 30 June 2019 and of its financial performance for the year ended on that date; and

(ii) Complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

Basis for opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the Financial Report section of our report. We are independent of the Group in accordance with the Corporations Act 2001 and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 Code of Ethics for Professional Accountants (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code. We confirm that the independence declaration required by the Corporations Act 2001, which has been given to the directors of the Company, would be in the same terms if given to the directors as at the time of this auditor's report.
We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report of the current period. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

BDO

Carrying value of Goodwill - impairment assessment

Key audit matter	*How the matter was addressed in our audit*
The Group is required to perform an annual impairment test on the carrying value of goodwill in accordance with AASB136 *Impairment of Assets*. The Group has tested goodwill for impairment at reporting date by comparing the carrying value to its recoverable amount. Recoverable amount has been determined through a value in use calculation. The Group's assessment of the value in use involves significant judgements such as the future results of the business, and the discount and growth rates applied to the future cash flows. Consequently, we considered this a key audit matter. Refer to Note 10 in the financial report for key disclosures relating to the impairment assessment of goodwill.	Our procedures included, amongst others: • An assessment of the historical accuracy of management's forecasts in the context of the value in use model; • Evaluating the key inputs and assumptions used in the value in use model, in particular those relating to forecast revenue, and the growth and discount rates applied; • Assessing the sensitivity of the key assumptions for reasonably possible changes in the value in use model prepared by the Group; and • Assessing the adequacy of the Group's disclosures in Note 10 in relation to the impairment testing performed and management's assessment of the sensitivity with respect to changes to key assumptions.

Adoption of Accounting Standard AASB 15

Key audit matter	*How the matter was addressed in our audit*
As disclosed in Note 5 in the financial report, on 1 July 2018 the Group adopted accounting standard AASB 15 *Revenue from Contracts with Customers*. The adoption of the new standard resulted in a change in the accounting policy in relation to the timing of the recognition of revenue. The modified retrospective method was applied which resulted in an adjusted to opening retained earnings. The assessment of the impact f the application of AASB 15 required considerable analysis and resulted in a change in accounting policy which impacted the financial report. For these reasons this was considered a key audit matter	Our procedures included, amongst others: • Reviewing management's assessment of the impact of the adoption of the new standard on revenue recognition policies of the Group; • Testing the calculations of the impact on opening retained earnings; and Reviewing and assessing the adequacy of the disclosures in Note 5.

Other information

The directors are responsible for the other information. The other information comprises the information in the Group's annual report for the year ended 30 June 2019, but does not include the financial report and the auditor's report thereon.

Our opinion on the financial report does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the directors for the Financial Report

The directors of the Company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the directors are responsible for assessing the ability of the group to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the Financial Report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website (http://www.auasb.gov.au/Home.aspx) at:

http://www.auasb.gov.au/auditors_responsibilities/ar1.pdf This description forms part of our auditor's

report.

Report on the Remuneration Report

Opinion on the Remuneration Report

We have audited the Remuneration Report included in the directors' report for the year ended 30 June 2019.

In our opinion, the Remuneration Report of Konekt Limited, for the year ended 30 June 2019, complies with section 300A of the *Corporations Act 2001*.

Responsibilities

The directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

BDO East Coast Partnership

BDO

Arthur Milner
Partner

Sydney, 22 August 2019

ASX ADDITIONAL INFORMATION

Additional information required by the Australian Stock Exchange Limited and not shown elsewhere in this report is as follows. The information is current as at 31 July 2019.

a) Distribution of equity securities

The number of shareholders, by size of holding, in each class of share is:

	Ordinary shares		Options		Performance Rights	
	No. of Holders	No. of Shares	No. of Holders	No. of Options	No. of Holders	No. of P.R.s
Size of holding						
1 – 1,000	113	41,161	-	-	-	-
1,001 – 5,000	229	605,490	-	-	-	-
5,001 – 10,000	121	909,857	-	-	-	-
10,001 – 100,000	268	9,215,665	2	120,000	26	1,148,052
100,001 and over	82	95,014,662	5	840,000	1	129,346
	813	**105,786,835**	**7**	**960,000**	**27**	**1,277,398**
The number of shareholders holding less than a marketable parcel of shares are:						
	217	198,084	-	-	-	-

b) Twenty largest shareholders – ordinary shares quoted on the ASX

The names of the twenty largest holders of ordinary shares quoted on the ASX as at 31 July 2019 are:

		Listed ordinary shares	
		No. of Shares Held	% Held
Financial Assets			
1	NATIONAL NOMINEES LIMITED	15,863,753	15.00
2	NIDMAS PTY LTD <BANKS FAMILY SUPER FUND A/C>	14,249,201	13.47
3	DIXSON TRUST PTY LIMITED	11,923,636	11.27
4	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	11,836,949	11.19
5	DR & LC FLYNN NOMINEES PTY LTD <FLYNN SUPER FUND A/C>	6,271,028	5.93
6	ANACACIA PTY LTD <WATTLE FUND A/C>	2,899,660	2.74
7	FACTOTUM GROUP PTY LTD <FACTOTUM HOLDINGS A/C>	2,000,000	1.89
8	HIGH TIDE SUPER FUND PTY LTD <HIGH TIDE SUPER FUND A/C>	1,912,384	1.81
9	KEISER SHIPPING & TRANSPORT PTY LTD	1,632,623	1.54
10	DR VERN THOMAS MADDEN + MRS CLARE MAREE MADDEN <MAD-BOY SUPER FUND A/C>	1,500,000	1.42
11	PROF ALAN JONATHAN BERRICK	1,485,313	1.40
12	BFA SUPER PTY LTD <GDN SUPER FUND A/C>	1,436,654	1.36
13	MR EDWARD JAMES STEPHEN DALLY + MRS SELINA DALLY <LEKDAL FAMILY A/C>	1,427,334	1.35
14	NIDMAS PTY LTD <BANKS FAMILY SUPER FUND A/C>	1,200,000	1.13
15	MR CHRISTIAN JAMES HAUSTEAD	1,055,000	1.00
16	MR EDWARD JAMES DALLY + MRS SELINA DALLY <E J DALLY SUPER FUND A/C>	1,041,950	0.98
17	BUMBLETON PTY LTD <WILLIAM COATS S/F A/C>	1,010,596	0.96
18	J W GIJET PTY LTD	650,000	0.61
19	YARRAC PTY LTD <COLEBATCH PROPERTY A/C>	650,000	0.61
20	SHORTIS NATURAL THERAPIES PTY LIMITED <SHORTIS FAMILY A/C>	600,000	0.57
Total ordinary shares quoted on ASX – Held by the top 20 holders		**80,646,081**	**76.23**
Total ordinary shares quoted on ASX		**105,786,835**	**100%**

KONEKT

ASX ADDITIONAL INFORMATION (CONTINUED)

c) Unquoted Securities

There were 960,000 unquoted options and 1,277,398 Performance Rights on issue as at 31 July 2018.

d) Substantial Shareholders

Substantial shareholders in the Company are set out below:

	No. of Shares Held	% Held
Nidmas Pty Ltd & Associates	16,082,117	15.20%
AJ Berrick & Associates	13,321,002	12.59%
Dixson Trust Pty Ltd	11,923,636	11.27%
Pie Funds Management Ltd	7,851,006	7.42%
DR & LC Flynn Nominees Pty Ltd (Flynn Super Fund A/C)	6,533,339	6.18%
EGP Capital Pty Ltd	5,683,453	5.37%

e) Other Disclosures

(i) The name of the Company secretary is Ms. Reena Minhas.
(ii) The address of the principal registered office in Australia is Level 3, 338 Pitt Street, Sydney NSW 2000.
(iii) Registers of securities are held at the following addresses:

Computershare Investor Services Pty Ltd
Yarra Falls
452 Johnston Street
ABBOTSFORD VIC 3067

Konekt Limited
Level 3, 338 Pitt Street
SYDNEY NSW 2000

Stock Exchange Listing
Quotation has been granted for all the ordinary shares of the Company on all Member Exchanges of the Australian Stock Exchange Limited.

Home Exchange
Australian Stock Exchange Limited
Exchange Plaza
2 The Esplanade
PERTH WA 6000